

Marek Rewizorski *Editor*

The European Union and the BRICS

Complex Relations in the Era of Global
Governance

 Springer

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Kolobrzeg
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Introduction

Marek Rewizorski

At the dawn of the twenty-first century, both state and non-state actors of International Relations are facing the need to find their place in reality, which appears to be increasingly unclear. The ongoing process of ‘re-configuration of the anarchic character of international environment’ has begun to unfold. This process is articulated by unprecedented heterogeneity of entities operating ‘across’ state borders, and not ‘within their limits’. It has been accompanied the emergence of many equivalent decision-making centres which base their actions on pluralism, co-operation and departure from hierarchical relations between territorial and non-territorial actors. ‘Re-configuration’ is accompanied by the idea of governance. It is linked more with controlling than governing, and so with a wide range of processes is used to co-ordinate decision-making and implement certain policies. It is worth noting that governance consists in the adaptation of individual and collective methods of solving common issues, so as to find solutions to continually emerging conflicts, mitigate differences in interests and, as a consequence, to broaden the field of possible co-operation between heterogeneous entities. Various formal and informal institutions play a key role here. Their intentions may become a catalyst of group activity (Commission, 1995: 2).

What fundamentally distinguishes governance from a traditional political order is the ‘dilution’ of hierarchical state power and thus, withdrawal from ‘rule and control’ as a method to regulate individual and collective actions. Indeed, governance shall be depicted as a package of horizontal interactions taking place between the state and public actors who are involved in various relations with the state and take advantage of the developed network structures, private and public partnerships, as well as other tools of political activity. Consequently, opposite poles of governance are taken by hierarchically organised states on one hand and

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self-organising and substantially decentralised groups of civil society on the other hand, which most frequently assume forms of non-government organisations, social movements and non-profit organisations.¹ In their operations they take advantage of the markets which are used to allocate resources and where formalised rules, imposed by the state, become weakened and the governance turns out to be of more economic and financial character.

When applying the concept of governance on a global level, it should be noted that it is based on contemporary transformations occurring in technology, transport and, above all, in communication. Reduction of time required to process and send information is the factor notably enhancing various forms of transnational political organisations. The afore-mentioned transformations are displayed especially by the supporters of neo-liberalism. As they argue, the state-centric model proves to be inadequate towards increasingly complex regulatory issues, which require good governance in order to be solved. It cannot be ensured by the states without participation of the markets (especially the business sector) and global civil society.²

Contemporary transformations, present mainly in the field of economy and politics, may constitute a kind of a threat to states and their positions within the international system. For there is no denying that ‘the international system’ is decreasingly dependent on the states’ will, thus becoming a network structure created by “states, non-state participants, relations and links between them, binding rules of international law as well as international regimes, alliances and institutions” (Łoś-Nowak 2011: 28–29). Noting this, Anne-Marie Slaughter points at the questionable feasibility of global governance, saying: “We need more government on a global and regional scale, but we don’t want the centralisation of decision-making power and coercive authority so far from people actually to be governed” (Slaughter 2004: 8). This “globalisation paradox” is highlighted by James A. Caporaso and Mary Anne Madeira when they ask: who is in charge of globalisation and who co-ordinates relationship among states, firms and people? (Caporaso and Madeira 2012: 73). This question seems to be crucial as more and more evident is the emergence of successive structures of global governance as a response to tension, crisis and uncertainty generated by the re-configuration of international environment. Increasing tension between the West and the non-Western world is accompanied by: (1) growing demand for international

¹As indicated in political science literature, globalisation entails changes which result, for example, in an increased number of rapidly spreading non-government organisations constituting the basis for global civil society. The latter involves “entities, ventures, enterprises, non-profit organisations, social movements, various communities, celebrities, intellectuals, think-tanks, charity organisations, pressure groups, protest movements, media, Internet groups and sites, trade unions, employers’ federations, international commissions, sporting organisations, all forming multi-level, tightly connected space”. Cf. E. Pietrzak (2013: 85).

²The above views are not new. They stem from the tradition of political concepts of the West, highlighting the importance of the mechanisms of free market, reciprocity, trust and solidarity. They provide contrast with control and subordination, as concepts thoroughly anti-liberal. Cf. Streeck and Schmitter (1985): 119–138.

co-operation in the context of recurring global financial and economic crises; (2) ineffectiveness of the twentieth century triadic systems, namely (a) the economic triad of Western countries—US-EU-Japan, (b) the institutional triad of international economic organisations—the IMF-World Bank-WTO against the threats and challenges emerging in the period of turbulence accompanying the formation of new, post-Cold War international order; (3) the growing role of non-Western countries clustered within the BRICS group (Brazil, Russia, India, China, South Africa) and relative reinforcement of their ability to act politically in the international arena; (4) the increasing number of interactions among countries and their citizens triggered by the revolution in communication technologies and the occurrence of cyberspace; (5) the increasing proneness of even the greatest powers and their citizens to cross-border threats triggered mainly by terrorism, diseases, climate changes adversely affecting humans; (6) development of global networks of connections playing the fundamental role in creating, developing, diffusing and implementing various norms, rules and regulations covering a growing number of new areas, from banking supervision to health protection policy.

The above-mentioned issues emerge among substantial differences across the world on desirable institutional arrangements. According to Dani Rodrik's view, while the EU proves that international democratic governance is possible, its experience of difficulties in achieving a strong political union even among a comparatively small number of like-minded countries demonstrates the demanding requirements of global governance (Rodrik 2011: 220). How, in these conditions, the EU has to step outside the cradle of its system of rules and entangle into relations with non-Western world, symbolised by the rise of BRICS, where truly global norms have emerged only in narrow range of issues. This becomes extremely difficult. What is more, as Jan Nederveen Pieterse asserts, "...the rise of emerging societies is a major turn in globalisation. . .North-south relations have been dominant for 200 years and now an East-South turn is taking shape. The 2008 economic crisis is part of a global rebalancing process" (Pieterse 2011: 22). Where in this pattern is a place for the EU? Has Brussels already developed, or at least designed, a master plan of 'defending' its relevance on the world stage? How does each of the BRICS powers perceive the EU and how are they perceived by its European interlocutor? Is the co-ordination of non-Western countries co-operation within BRICS a threat to the primacy of Western countries and may it become a factor disturbing the fragile order that exists on the international political scene?

These questions are steadily growing in importance since the turn of the 1980s and 1990s, when the BRICS made their mark on the global economic landscape. The acronym 'BRIC' originated in a Jim O'Neill's report (2001), and the paper published 2 years later (Wilson and Purushothaman 2003), where Goldman Sachs' economists argued that the BRIC countries—Brazil, Russia, India and China—may eclipse many of the richest countries of the world by 2050 and become the four leading global economies. O'Neill predicted that China and India would become the dominant global suppliers of manufactured goods and services respectively, while Brazil and Russia would become similarly dominant as suppliers of raw materials. In December 2010, the BRIC was supplemented with the inclusion of South Africa.

The rise of the BRICS can be viewed as a catching-up process, thereby creating both opportunities and challenges for the EU—the very core and cradle of the West. Major challenges are emerging from the heterogeneous characters of individual BRICS countries, which pose quite different policy responses on the side of their partners, especially the EU. This “economic giant, political dwarf and military worm” (Whitney 1991) is confronted by the BRICS in terms of trade, investment, a shrinking stock of jobs (the effect of off-shoring and outsourcing), competition in products markets and changing patterns of commodity flows. Hence, economy matters, but at the same time there are different political systems (of individual member states), especially regarding state interference in the economy, which require different EU policy strategies towards individual BRICS’s members.

1 The Book’s Rationale and Objective

The book can be seen as an effort made by group of authors to advance discussion on the rise of BRICS, positioning the relationships of emerging powers with the EU, measuring its intensity, and assessing the impact of the EU—BRICS relationships on global governance. There is also a more general objective referring to the question shared by many IR scholars and policy-makers: Will future world politics be characterised by systemic conflict between the established powers (here the EU and its members) and the emerging late-comers (here BRICS) or by peaceful assimilation of the new powers into the existing liberal order. In simple words, the main purpose of this work is exploring the relations between the EU as a “smart” and economic power (but relatively losing its political standing) with other zones in Euro-Asia (Russia), Asia (China, India), Latin America (Brazil) and Africa (South Africa), namely BRICS, thereby also focusing on institutional linkages between these actors.

This book has been divided into two parts. The first has been centered on such themes as outlining and analysing the rise of BRICS, immersing it into theoretical approaches and linking it with global governance, tracing the development of a new global order where the BRICS and the EU experience transformations, assessing the effectiveness of BRICS and its institutionalisation, analysing and explaining how BRICS and the EU mark their way in global governance forums, such as the G20. The second part is focused on exploring the links between the EU and individual BRICS in areas of (1) politics, (2) economy, (3) trade and finance, (4) development, (5) external relations and security, exploring the opportunities and challenges in their mutual relationship.

2 The Chapter Contributions

Chapter “[BRICS and the Evolution of a New Agenda Within Global Governance](#)”, by Niall Duggan, develops a fresh look on the evolution of BRICS and a new agenda within global governance. He follows the constructivist approach,

according to which states are differentiated not just based on power, as would be the case in realism, but also according to a state's social role within a given system, which may change over time. He observes that the rise of the BRICS and the advance of the 2008 global financial crisis have fuelled a new round of debate concerning the sustainability of transatlantic norms, ideas and institutions that have dominated global governance since its foundation. Many of the bodies and organisations that help create global governance were developed between 1945 and 1980 and have been dominated by Western actors and a Western agenda. Using the role theory, this chapter looks at the rise of the BRICS within the international system and the evolution of a new agenda within global governance, such as the G20, the International Monetary Fund, the World Bank and the United Nations.

Chapter "[The BRICS in the Global Order: A New Political Agenda?](#)", by Marco António Martins, views BRICS as the symbol of a new political and economic order. He argues that the international system, led by the United States (together with the EU member states), is presently experiencing turbulent structural changes that consists of the need to implement political, social and economic measures and to create adjustments of the political debate towards the construction of a policy that can respond concurrently to the overall welfare and to international stability. To that order, it's important to measure the limits and the possibilities of these 'new' actors. He questions: Is it only a matter of political power with international impact, or is it a matter of a new concept of civilization in the international system?

Chapter "[Is BRICS Institutionalization Enhancing its Effectiveness?](#)", by Marina Larionova and Andrey Shelepov, aims to explore how BRICS institutionalisation correlates with its effectiveness. Thus, the authors examine the data on BRICS institutionalisation in relation to several effectiveness dimensions. First, they look at how institutionalisation correlates with the balance of global governance functions in BRICS performance, namely: deliberation, direction-setting, decision-making, delivery and global governance development. This analysis is made on the basis of the discourse share devoted to a concrete function in the total annual discourse of the forum. Second, the authors explore BRICS contribution to a global governance agenda tracking the dynamics of priorities on the BRICS agenda and assessing the shares of specific priorities in the total discourse. Third, they evaluate the BRICS contribution to development of multilateral global governance, analysing the references to international institutions in the BRICS discourse, mandates to international institutions and mechanisms established by BRICS within the forum. Finally, the study looks at the BRICS compliance performance on concrete commitments made by the leaders at their summits.

Chapter "[Participation of the European Union and the BRICS in the G20](#)", by Marek Rewizorski, mainly focuses on the issue of participation of the European Union and BRICS in the G20 summits. There is question arising as to which roles are designed for the EU institutions. The analysis is conducted under post-Lisbon legal order and uses principal-agent model to explain the EU participation in the G20. Attention is also drawn to BRICS as leading emerging economies and political powers at the regional and international level extending their influence in the G20. He points at the increasing activity of emerging economies in the Group of

Twenty and explores the possibility of developing co-ordinated positions by the BRICS members in the G20 summits.

Chapter “[Russia, China and the EU: Power Relations in a Complex International System](#)”, by Maria Raquel Freire, addresses the complexity of relations between Russia, China and the European Union (EU), in the broader context where these take place—the ‘shared neighbourhoods’ space and political, economic and security dynamics with a focus on energy. These three big players pursue co-operation and competitive policies, and the way in which they inter-relate, and not only define but empower their policies and practices, affects the balance of power between them. This chapter analyses the dynamics associated to Russia, EU and China relationships from the perspective of Russian foreign policy, with a focus on energy issues and how these have created (inter) dependencies crossing the geographical area where these actors are present. The author argues energy has been a game-changer in relationships among these actors, both empowering and obstructing the conduct of policies, at the bi-lateral level and in multi-lateral contexts. The internal/external inter-linkages shaping relations demonstrate duality in policies, either fostering co-operative dynamics or contributing to competition. From these interactions, selective balancing has been a common trend, allowing power shifts and adjustments in a changing international system.

Chapter “[Examination of the Contemporary EU-China Economic and Political Links](#)”, by Mireia Paulo, views EU-China institutional relationships. Analysing this strategic partnership raises a number of questions. She looks at the political and economic links between the partners, referring also to potential issues for co-operation, such as climate change, emergency management and maritime security. The chapter also remarks on such sticking points such as human rights. It then explores the economic relationships by highlighting the economic and trade interdependencies. The author claims that mutual frictions persist in regard to the trade imbalance, the opacity of the Chinese market and anti-dumping practices.

Chapter “[India’s Rise, the European Union and the BRICS: An Uneasy Relation](#)”, by Johannes Dragsbaek Schmidt, aims to critically assess the current diplomatic and strategic relationships between India and the EU, using the critical international political economy (CPE) approach. In the author’s view, there are fundamental deficits on both sides—most of them domestic—that impede their explicit or implicit foreign policy, security and global projections, as well as their abilities to work together effectively. He argues that the Eurozone crisis has changed the potential for a unified EU foreign policy and sharply added to the skeptical perception in Delhi of a Europe which does not present a coherent platform towards India in diplomacy, security and geo-politics. The India—EU relationship has been determined by the national interests or preferences of its member states, which are reflected in the lack of trust and no real shared interests between the two so called strategic partners.

Chapter “[From Interregionalism to Bilateralism: Power and Interests in EU-Brazil Trade Cooperation](#)”, by Aukje van Loon, focuses, within the context of the EU’s relations with Latin America and more specifically Mercosur (Mercado Común del Sur), on the relationship with Brazil. The author notes that bilateral

co-operation, in this case group-to-country co-operation between the EU and Brazil, was institutionalised at the Lisbon Summit of July 2007, culminating in the EU—Brazil strategic partnership. This partnership was an indication of the EU's recognition of the position Brazil today occupies in the international system. On the other hand, as she observes, it lays bare the EU's limited success with Mercosur. This shift from an interregional approach with Mercosur to one of bilateral engagement with Brazil leads to the question of why, after so many years of efforts had been made to develop group-to-group relations with Mercosur, has the EU shifted to direct bilateral relations with Brazil? In answering this question, the author uses a dual-causal framework, highlighting the basic characteristics of two theoretical paradigms in international relations, neo-realism and liberalism.

Finally, chapter “[Opportunities, Challenges and Prospects of South Africa in the BRICS](#)” by Sotiris Petropoulos, analyses opportunities, challenges and prospects of South Africa in the BRICS, as the last country to be included in the BRIC (S) grouping during December 2010. This development initially generated much skepticism due to the significant differences from the other members of the grouping, especially in terms of GDP, population size and overall importance in the global financial landscape. He observes that South Africa can be viewed as the representative of Sub-Saharan Africa (leader of Southern African Development Community—SADC, prominent member of the African Union—AU) while being the only African country in the G20 which also enjoys special ties with the EU due to its history and current EU policies. And even in financial terms, South Africa is reported as the world's richest country in terms of mineral reserves while it has a highly developed and modern financial system. He argues, that part of a push for transforming the global governance structures towards being more responsive to developing world's voices, South Africa can expect a better placement in global order, while its inclusion offers the BRICS initiative the view that its agenda represents the welfare of the developing world as a whole.

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Part I

**The European Union, the BRICS and Global
Governance**

BRICS and the Evolution of a New Agenda Within Global Governance

Niall Duggan

Abstract

The rise of the BRICS (Brazil, Russia, India, China and South Africa) and the advance of the 2008 global financial crisis have fuelled a fresh round of debate concerning the sustainability of transatlantic norms, ideas and institutions that have dominated global governance since its foundation. Many of the bodies and organisations that help create global governance were developed between 1945 and 1980 and have been dominated by Western actors and a Western agenda. Using role theory, this chapter looks at the rise of the BRICS within the international system and the evolution of a new agenda within global governance, such as the G20, the International Monetary Fund, the World Bank and the United Nations.

1 Introduction

It has been longer than a decade since Jim O'Neill (2001) of Goldman Sachs coined the acronym BRIC to refer to Brazil, Russia, India, and the People's Republic of China. With a large and growing share of world GDP, the BRICs have been seen as the vanguard of emerging economies of the global south. Since the lowercase *s* has been replaced by an uppercase *S*, indicating South Africa's membership of BRICS, the group has been seen as both a political and economic challenge to Western domination of the architecture of global governance. The rise of the BRICS and the 2008 global financial crisis have fuelled a new round of debates concerning the sustainability of transatlantic norms, ideas, and institutions, which have dominated global governance. The BRICS are seen to represent a new force in defining the "rules of the games"

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(North 1990) of global governance and have changed the agenda and approach of global institutions.

This chapter looks at the effect of the BRICS on the evolution of a new agenda within global governance. As Lawrence Finkelstein highlighted, “Since the international system notoriously lacks hierarchy and government, the fuzzier word ‘governance’ is used instead” (Finkelstein 1995: 367). Of the term “governance” itself, Finkelstein highlights its lack of definition. He states that, “We say governance because we don’t really know what to call what is going on” (Finkelstein 1995: 368). Thomas Weiss outlines a clearer picture of the term. He states that the word “governance” is employed “to connote a complex set of structures and processes, both public and private” (Weiss 2000: 795). The term “global governance” can refer to a wide number of organisations that help to coordinate international action. It can also refer to a number of international norms that determine how nation states and nongovernmental actors interact with one another. Therefore global governance can be understood at an abstract level as the creation of rules and norms on a global scale by international organizations, which establish “the conditions for ordered rule and collective action” (Stoker 1997: 17). This chapter will look at the effect of the rise of the BRICS on both the rules and norms of global governance, as well as on the international organizations. It will trace the origins of the BRICS and attempt to outline a collective identity among the members. It will then outline if and how the BRICS have affected the development of the agenda within global governance institutions such as the G20, the International Monetary Fund, the World Bank, and the United Nations.

2 Theoretical Framework

A number of different theories address the rise of powers in international affairs. One of the oldest such theories is the balance of power theory from the realist school of international relations (IR). The underlining principle of this theory is that states will attempt to find equilibrium among one another. Structural realists regard the system as having a tendency toward a natural equilibrium. It is a doctrine and an arrangement whereby the power of one state (or group of states) is checked by the countervailing power of other states. Authors who apply the balance of power theory to the rise of the BRICS, such as Leal-Arcas (2008: 236) and Skak (2011: 4), often posit that emerging powers such as Brazil, Russia, China, and India do not share Western values and therefore ought to be isolated from core global governance until they subscribe to these values. As Stefan A. Schirm (2010) highlights, this argument has several flaws. First, it ignores the substantial differences in interests and ideas within the West—that is, between the United States and continental European countries. In addition, the rivalry argument also ignores that emerging powers like Brazil and India are stable democracies with a strong multilateralist record and, therefore, can hardly be characterised as dominated by differing ideas than those that are prevalent in the West. The same flaws can be applied to other structural theories—such as power transition theory (Organski 1958; Organski and Kugler 1980), long-cycle leadership theory (Modelski 1988), power-cycle theory (Doran 1991), hegemonic stability theory

(Kindleberger 1981) and, from the liberal school, institutionalist regime theory (Krasner 1983)—when they are applied to the BRICS. Thus, applying a purely structural approach to the study of the BRICS cannot help us to understand the role of emerging economies in global governance. To comprehend the rise of the BRICS, there must be a greater focus on the role of the agent in the action of states. Thus, most look to a group of international relations scholars such as Wallerstein (1974) and Gill and Law (1988), who, according to Lake (1993), use an interpretative approach. Collective identification from the constructivist school (Thies 2010a; Wendt 1999; Klotz 1995; Wiener and Puetter 2009) is one of the more cohesive groups within the interpretative approach. Within the constructivist approach, states are differentiated not just based on power, as would be the case in realism, but also according to a state's social role within a given system, which may change over time. Constructivists argue that each state is differentiated by a specific role, and that differentiation constitutes national identity. Over time, the interaction of states (population flows, trade, etc.) might develop some form of collective identity that extends beyond state borders and includes other states or the population of other states. Thus, in situations where there are layers of collective identity, this may include multiple different states and exclude others. Therefore, by developing a “we” group, and, by extension, excluding other states, an alter or other is formed. The best example of this is the development of the European collective identity. In this case, identity does not mean “Who am I?” and “What do I do?” but rather “With whom do I collective identify?” Identity formation is a process of social boundary drawing. It is the creation of the rules and norms of that identity. A state's identity therefore affects how it perceives the world and, thus, its actions in the world. Within this context, social roles are not equal identity. Social roles have a function under a particular context, and they are expected to fulfil that function. Social roles contain normative assumptions about what is appropriate to do, what are the appropriate goals and what are the appropriate actions to achieve those goals. Role theory is a theoretical framework that is committed to the study of behaviour using the notion of “role.” International roles are understood to be social positions (as well as socially recognized categories of actors) constituted by ego and alter expectations regarding the purpose of an actor in an organized group (Thies 2010b: 6336). Roles are created by the combination of an actor's subjective understandings of what its behaviour should be—that is, its role conceptions—and international and domestic society's demands—its role expectations—combined with the particular context in which the role is being acted out. Roles are neither deterministic nor infinitely elastic (Chafetz et al. 1996: 733). They are the categories of behaviour that states, like individuals, rely on to simplify and to help guide themselves through a complex world. Roles provide individual states with a stable sense of identity (Bloom 1991).

This study sits within the constructivist IR framework of role theory (Harnisch 2001; Maull 1990; Stryker and Statham 1985). Taking a single-role assumption,¹

¹ A shared, historically constituted role: The single-role assumption allows us to trace and explain long-term patterns in the foreign policy of the state and identify ideas (discourse) shared even among national politicians with different political preferences in everyday foreign policy making.

this chapter will understand a role expectation to be a balance of the domestic expectations (ego expectations) and the implicit or explicit demands of others (alter expectations). The current self stabilizes both relevant to a current significant other and to its historical self (McCourt 2012). Both the historical self and the current self are conceptual through “ontological security” (Zarakol 2010), which can be defined as the situation in which “an actor has a consistent sense of self by performing actions in order to underwrite his or her notion of ‘who they are’” (ibid: 3). States seek ontological security because they want to maintain consistent self-identity. That self is constituted and maintained through a historical narrative that gives life to routinised foreign policy actions (Steele 2008: 2–3). Maintaining those foreign policy action routines stabilizes a state’s historical narrative, allowing it to protect its historical self. Mitzen argues that a state values these routines because they underwrite a state’s sense of self. Therefore, a state might prioritize routine over other values, even when physical cost is involved, in order to protect its historical self (Mitzen 2006).

In terms of alter expectations, it is important to note that not all others carry the same weight (Shih 2012). This is clearly outlined by Wendt, who stated that “not all others are equally significant, however, so power and dependency relations play important roles in the story” (Wendt 1999: 327). There are tangible and intangible reasons for the selection of significant others: The tangible reasons are an actor’s material extension and resources, while the intangible reasons are notions of the state’s identity and the needs that derive from that identity (Wendt 1999: 328). Therefore, the selection or appearance of significant others in international relations does not happen randomly. The choice or constitution of a significant other is based on past experiences by the role beholder (Harnisch 2001: 12). Domestic expectations are created from foreign policy makers’ perceptions of the outlook of internal actors such as economic elites or other key state supporters among the general population. The influence of public opinion on foreign policy issues (Kaarbo and Cantir 2012), as well as a state’s historical self, is integral to determining domestic expectations.

National role conceptions in this chapter, therefore, refer to an actor’s perception of its position vis-à-vis others (the ego part of the role) and the perception of the role expectations of the others (the alter part of the role) (Elgström and Smith 2006: 5). While role conception is an ego’s own conception of its position and function, the term “role perception” has been introduced to capture the alters’ perceptions. Holsti defines role perceptions as norms, expectations, cultures, societies, institutions, or groups attached to particular positions (Holsti 1970: 239). Therefore, role perceptions emanate from the external environment (Walker and Simon 1987). In the constructivist school of IR theory, role perceptions are intersubjectively shared norms and expectations that form the social structure of the international system.

As an approach to the study of international relations, role theory offers a thick description and does not codify abstract regularities (Walker 1987: 255). The inclusion of role perception in this chapter is the acceptance that roles are institutionalized in social structures (Wendt 1999: 227) and therefore adopt particular epistemological and ontological positions. Carlsnæs (2002: 241) outlines the

epistemological position of the role theory as an interpretative perspective—that is, that role theory produces interpretative knowledge rather than causal explanations offering a thick description (Doty 1993; Walker 1987). For Carlsnæs (2002: 241), the ontological positions of role theory focus on “the reasoning of individual national foreign policy makers”. In foreign policy analysis (FPA), role theory exemplifies the bottom-up individualist interpretative approach, which is concerned with understanding “decisions from the standpoint of the decision makers by reconstructing their reasons” (Hollis and Smith 1990: 74). However, this position does not deal with the intersubjective ideas that come into consideration with the involvement of role perceptions. Therefore, by including role perception, this chapter takes a holistic approach.

3 From BRIC to BRICS

Coined in a 2001 by Jim O’Neill, the author of a Goldman Sachs report entitled “Building Better Global Economic BRICs”, the BRICs refers to the economies and states of Brazil, Russia, India, and China. The BRICs economies reflected only a small portion of global GNP in 2001. However, they represented a large portion of the world’s populations and territory. In demographic terms, the BRIC nations include two of the world’s most populated countries. China alone is home to one-fifth of the world’s population and is followed closely by India (17.5 %). Other members of the group—Brazil (2.9 %) and Russia (2.2 %)—also house large populations. The BRIC nations also boast large territories: Russia’s territory is 17 million km²; India’s is 3.2 million km²; China’s, 9.3 million km²; and Brazil’s, 8.5 million km² (UNDP).

Taking these factors into account, the 2001 Goldman Sachs report projected that within 40–50 years, these nations would match and overtake the OECD countries in their economic prowess. The article reported that the BRIC nations had little in common other than the fact that they were all developing nations with significant growth potential. Each member of the grouping had undergone major structural changes in the decades before the creation of the acronym. China had undertaken dramatic economic reforms in the 1980s and again in the early 1990s allowing it to emerge unscathed from the 1998 Asian economic crisis. India had introduced sweeping economic reforms in the early 1990s. In the late 1980s, Brazil had put in place a drastic economic stabilisation plan to reverse hyperinflation and boost privatisation. In the late 1990s, Russia had also started putting structural reforms in place to rebuild its economic status. Despite the fact that each BRIC nation had undertaken structural reforms, the reforms themselves differ dramatically from states to state, both in terms of underlying principles and policy implementation. The BRIC nations, which often had foundationally differently economic and political systems, as well as different cultural contexts and belief systems, shared little in terms of a common identity. It seemed unlikely that Goldman Sachs could create a simple acronym that would generate a new formal or institutional arrangement and affect the evolution of a new agenda within global governance. However,

once the acronym had been created, the idea of an institutionalised BRIC grouping was floated. At that time, there was little movement to formalise the group. From 2001, the BRIC economies continued to gain strength and influence in the global economy.

However, as highlighted by Kristen Hopewell (2015) in the case of the WTO and by Schirm (2010) in the case of the G20, little or no coherent action was taken by the BRIC nations to create and drive a BRIC agenda in global governance. Hopewell (2015) argues that in the case of the WTO, new powers, such as China, India, and Brazil, are challenging the traditional dominance of the United States in the governance of the global economy. However, as Hopewell highlights, the BRICs took different paths to power: While China's rise has been more closely tied to its growing economic might, the rise of Brazil and India has been driven primarily by their mobilization and leadership of developing country coalitions, which enabled them to exercise influence above their economic weight. This has driven the BRIC nations to undertake very different role behaviours within the WTO. Hopewell (2015) identifies that not only have Brazil and India assumed a more aggressive and activist position in WTO negotiations than China, they have also played a greater role in shaping the agenda of the Doha Round. In fact, there are a number of clear political tensions among the BRICs. Brazil has engaged in trade disputes over market access with both Russia and China in its strategy of seeking full liberalisation of agricultural trade. In the WTO Doha trade talks, Brazil clashed with India over India's insistence on protection for its rice farmers. Even at the Copenhagen Climate Conference in 2009, Russia distanced itself from the other BRICs. Unlike Brazil, China, and India, Russia sides with the Europeans in its support of the Kyoto Protocol. Both in the case of the WTO and the G20, no clear case of a BRIC collective identity has emerged to affect the role behaviour of the BRIC nations. The same is true in the case of global climate change governance. It seems that the BRIC concept does not drive the role of its members but in fact, as Hopewell states, "masks considerable variation in their sources of power and behaviour in global economic governance".

After a long campaign, South Africa was invited to join the BRIC grouping in December 2010, changing the acronym to BRICS. South Africa's economy is much smaller than that of the other four countries. South Africa's GDP is only a third of Brazil's and Russia's GDPs, and a tiny fraction of China's and India's GDPs. South Africa's claims for membership were driven and justified by political rather than economic factors. South Africa, as Africa's only member of the G20, is an important political actor among developing nations. South Africa itself was attempting to gain greater influence in global affairs. Increased influence in global governance is one of the most important aspects of BRICS membership (Keukeleire et al. 2011: 16). As Africa is the continent with the largest number of developing states, its largest economy, South Africa, was seen by the BRIC states as a representative of the entire continent. Other factors that worked in the country's favour include vast natural resources, excellent infrastructure, an established corporate sector, a stable macro and micro financial climate, an advanced banking system, and functioning regulatory frameworks. Creating a collective BRICS

identity becomes even more complex with South Africa's inclusion. South Africa is a democracy with close links to Western economics, and it is seen as a representative of all 54 diverse (politically and economically) nations of Africa. It seems unlikely that South Africa could find a common cause with Brazil, India, Russia, and China to form a common identity.

4 Institutionalising the BRICS

The BRICS differ from one another in a number of ways: culturally, politically, and demographically. What these countries do share, however, is an aspiration to be “rule makers” instead of “rule takers” within global governance. From 2006, the BRIC nations began to take steps to formalise the group. In September 2006, the first meeting of the BRIC foreign ministers took place, as a side event to the 61st UN General Assembly in New York. This was followed by a number of other meetings among representatives of the BRIC states. In the September 2007 and 2008 meetings, foreign ministers met once again in a side event to the 62nd UN General Assembly in New York, with next meetings of foreign ministers taking place in Russia. The first meetings of the BRIC heads of state/heads of government was in July 2008, and the first finance ministers' meeting in November 2008. In June 2009, the BRIC countries had their first summit in Yekaterinburg, Russia. The focus of the summit included the 2008 financial crisis, issues of global development, and the further strengthening the BRIC collaboration. The summit's joint declaration outlined foundations of common thought between BRIC countries, including the primacy of the rule of law and multilateral diplomacy with a leading role for the UN (Brazil 2008: 2). The assumption of these principles as the foundation of the BRICS meant that they became the driving force behind the BRICS actions within global governance. During this summit, Russia and China voiced their support for a greater role for Brazil and India in the UN (Brazil 2008: 3). Broader issues such as hunger, disease, the sustainability of the global economy, and an overall fairer global economic system (Brazil 2008: 4) were also discussed at the summit. This resulted in a strong understanding among the BRICS that energy security, socioeconomic development, and environmental protection would all be interconnected and that “South–South co-operation is a key element behind international efforts in the field of development” (Brazil 2008: 10). However, at this stage, the BRIC nations clarified that they would work within the traditional structure of global governance by cooperating with the G8 and other traditional dialogue partners (Brazil 2008: 11). Yet within these traditional institutions of global governance, the BRICS attempted to push the issues facing developing states—for example, food security—onto the agenda. In 2009, the BRIC states issued a joint declaration on global food security. The document outlines a number of issues of common understanding on food security. These include promoting the responsible use of biofuel and ensuring sustainable production in accordance with the three pillars of sustainable development: (1) society, (2) economy, and (3) the environment. In addition, the BRIC countries expressed support for the provision of

technological and financial resources to help developing countries build the necessary infrastructure to minimise the impact of climate change on food security (Brazil 2009: 2). This focus on development issues like food security has affected the role behaviour of the BRICS states in global governance. For example China has pushed the issue of food security onto the G20's agenda (Duggan and Naarajärvi 2012). However, the role behaviour of Brazil and India in the WTO clearly highlights that while the need to focus on food security is placed on the agenda of global governance bodies, there is no coherent policy among the BRICS to achieve the goal (Thorstensen and Oliveira 2014). A focus on food security continued during the early formation of the BRICs. In 2010, the ministers of agriculture of the BRIC nations meet in Moscow. They produced a joint declaration that focuses on establishing modes of action to pursue global food security. These focused on the production of grain and on the increase in the standard of living and the development of rural areas. These modes of action included:

1. Creation of an agricultural information-based system of the BRIC countries
2. Development of a general strategy for ensuring access to food for the most vulnerable members of the population
3. Reduction of negative impact of climate change on food security and adaptation of agriculture to climatic changes
4. Enhancement of agricultural technology, co-operation, and innovation (Brazil 2010b: 1–2)

The second BRIC summit took place in April in 2010 in Brasília and focused on identifying intra-BRIC cooperation initiatives and also included input from civil society. The joint declaration from this summit focused on exalting the financial contribution of the BRICS to the International Monetary Fund (IMF). The declaration focused on increasing the voting quotas of the BRICS within the IMF and fostering greater involvement in the choice of leaders for the IMF and the World Bank (Brazil 2010a: 9–11). In a joint declaration a year later, BRICS members expressed their dissatisfaction with the method used to choose the new head of the IMF 5. Rather than simply calling for reform in global economic governance, the BRICS also undertook an agreement to increase cooperation between major domestic financial institutions (India 2010). In 2010, several BRICS banks—the National Bank for Economic and Social Development, the China Development Bank Corporation (CDB), the Export–import Bank of India (Exim Bank), and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank)—agreed to cooperate in the global economy. The development of this cooperation was the first step to institutionalise relations among the BRICS.

2010 marked a turning point in the development of the BRIC. It was the year when the cooperation on global affairs began to institutionalise among BRIC nations. In December 2010, South Africa was officially invited to join the group at the next meeting of the heads of state, which would take place in April 2011 in Sanya on the island of Hainan, China. The Sanya Summit had three clear focus points: new areas of cooperation, non-BRICS cooperation, and international conflict. In terms of new areas of cooperation, the BRICS expanded cooperation on the

development of clean energy and encouraged technical co-operation in this sector (Brazil 2011a: 18). Other areas of cooperation included meetings between representatives of international organisations, meetings of experts in agriculture, meetings of the heads of national statistical institutions, and financial co-operation between the BRICS Development Banks. Other issues included the establishment of new areas of cooperation: gatherings of sister cities and local governments; meetings of ministers of health; and support for joint research on economic and commercial issues and co-operation in the areas of culture and sport (Brazil 2011a: 10–12). In the Sanya Declaration (2011), the BRICS affirmed that they “are open to increasing engagement and cooperation with non-BRICS countries, in particular emerging and developing countries, and relevant international and regional organizations” (Sanya Declaration 2011: 6). A number of institutions and international agreements were listed in the declaration for support, including the UN, the G20, the IMF, the Millennium Development Goals, the UN Framework Convention on Climate Change, the Kyoto Protocol, the Rio Declaration on Environment and Development, the Agenda 21, the Johannesburg Plan of Implementation, the NEPAD, and the WTO. Finally, the declaration included in the declaration suggested exploring the establishment of a BRICS-UNESCO Group (Sanya Declaration 2011: III.5). As highlighted by the Directorate-General for External Policies of the Union (2012: 28), a number of EU/OECD bodies and agreements such as the Monterrey Process, the Paris Declaration, the AAA, and the European Consensus on Development were not included. The final focus of the Sanya summit was on issue of international conflict. The BRICS called for members of the group in the UN Security Council (UNSC) to focus on resolving conflicts by focusing on dialogue rather than on force. The Libyan crisis was taken as an example (Brazil 2011a: 7–9). The declaration highlighted that “the independence, sovereignty, unity, and territorial integrity of each nation should be respected” (Brazil 2011a: 9). This has become the BRICS central position on international conflict and has been reflected by the actions of its members who hold permanent position on the UN Security Council—that is, Russia and China (Duggan 2014). The BRICS continue to take this view on issues such as the Syrian crisis and Palestinian membership of the UN (Brazil 2011b: 1).

The 4th Summit of Heads of Government took place in New Delhi, India, in March 2012. The main focus of the summit was global stability, particularly security in the Middle East and North Africa, as well as a focus on climate change (India 2012). In terms of institutionalising, the biggest decision was that the BRICS would begin plans to establish a BRICS Development Bank (India 2012). The BRICS Development Bank was designed to reduce the bureaucratic frustration that developing countries have faced in accessing funds from the Bretton Woods Institutions (India 2012). The design and ethos of the BRICS bank was worked out further at the 5th summit, which took place in Durban in 2013. The 5th BRICS summit, entitled “BRICS and Africa—Partnerships for Integration and Industrialization”, focused on further development of institutional links between the BRICS members and on the role of the BRICS in the developing world (South Africa 2013). There was a further strengthening of the BRICS Development Bank at the summit, with a focus on lending for infrastructural projects in the developing world.

The BRICS members also agreed to set up a currency contingency fund to protect members' economies in times of crisis (South Africa 2013).

However, the bank itself did not come into fruition until the 6th BRICS summit in Brasília 2014, where the New Development Bank (NDB) was created. The bank, which would be based in Shanghai, would contribute to the efforts to eliminate infrastructure gaps and meet the sustainable-development needs of the BRICS member states and of other developing states. With capital of \$100 billion, including \$50 billion of equally shared initial subscribed capital, the bank would be one of the world's largest multilateral financial development institutions (Brazil 2014c). The concept of a currency contingency fund was also further developed. The Contingent Reserve Arrangement of \$100 billion is designed to help protect the BRICS countries against short-term liquidity pressures and international financial shocks. New areas of economic cooperation were also discussed at the 6th summit, including the development of a BRICS Export Credit and Guarantees Agencies, a BRICS Interbank Cooperation Mechanism (Brazil 2014b) a BRICS Business Council, Strategy for Multilateral Economic Cooperation and the Roadmap for Investment Cooperation, a BRICS Banking Forum, and a BRICS Exchanges Alliance (Brazil 2014a). Driven by Russia, there was also a focus on increasing the inter-institutional relationship among the BRICS in the area of energy security. There is a proposal to establish a BRICS Energy Association, a Fuel Reserve Bank, and a BRICS Energy Policy Institute (Russian Federation 2014).

5 The Rise of the Rules and Norms of Global Governance

As the BRICS rise and become institutionalised, they have begun to affect the rules and norms that underpin the wider system of global governance. Within the context of global governance, they have adopted an alter role to the liberal model of development. Therefore, this role has meant that the rise of the BRICS have reduced the promotion of liberal-democracy values and have also defeated the position of the sovereignty states at the centre of global governance decision making (Keeler 2011; Stephen 2012; Stuenkel 2013; Läidi 2012). It is in the area of global economic governance where the role the BRICS has adopted has had the greatest impact on the rules and norms that allow for collective action (Gray and Murphy 2013). The BRICS have attempted to challenge the architecture of liberal global economic governance (with the exception of the creation of the NDB) by engaging strongly in the existing structures of global economic governance (Strange 2011; Germain 2009; Kahler 2013). The main challenge to the liberal system of global economic governance is the nature of the BRICS economies themselves, which differ in many ways from the Western economies that created and designed the current system of global economic governance. Christopher McNally has outlined four main differences: (1) the implementation of interventionist industrial policy, (2) the prominence of sovereign wealth funds in internationalizing domestic capital, (3) the fostering/creation of "national champion" enterprises, and (4) a more "embedded" approach to financial regulation and

allocation, through state-controlled banks (2013: 37–40). The BRICS have undertaken a role as revisionist power within global economic governance, and it is the success of the BRICS model that has driven the BRICS to adopt this role. By creating a workable economic alternative, the state-led aspect of the BRICS economies, including managed currencies, export-oriented interventionism and active industrial policies, is a direct challenge to the neoliberal ideas of economic management, and in particular to the Washington Consensus policy of the Bretton Woods institutions of development (Stephen 2014; Breslin 2013). The success of the BRICS economies has also prevented Western powers from pushing their liberal agenda within global economic governance. This has occurred as the BRICS have increased their share of global markets and global capital reserves, which has allowed them to delay or de facto suspend increased trade liberalization and transnational financial flows (May and Nölke 2013; Narlikar 2010; Dierckx 2013; Yianni and De Vera 2010). The central position that state controlled banks and sovereign wealth funds take in the BRICS model of development also challenges the current system of global governance by reducing the influence of private capital in the global marketplace (Harris 2009; Overbeek 2012). It is clear that the state capitalist model of the BRICS is challenging many of the underlying rules and norms of the liberal system of global economic governance and will in itself force a restructuring of the system (Ikenberry 2011). However, it is clear that the BRICS have embraced and are fully engaged in the rules-based international order and have deepened their global economic exchange and interdependence. Within the institutions that allow for this rules-based international order, it is clear that the BRICS members are highlighting the need for a greater focus on developmental issues and a greater input from developing countries (Duggan and Tiberghien 2013; Duggan 2014). This is a reflection of the fact that as the BRICS institutionalised between 2006 and 2014, they adopted a clear focus on issues such as food security, global climate change, and the need for infrastructural development in the developing world. They have therefore adopted a role as leaders of the developing world. This has driven an evolution of the global governance agenda toward a greater focus on and consideration of developmental issues (Duggan and Naarjärvi 2012).

6 Conclusion

It is clear that the BRICS grouping began life without a collective identity but with an identity constructed by significant others. These countries share little in common in terms of identity, and they differ in terms of political, economic and cultural structures. This has often resulted in the BRICS's undertaking of different roles within global governance, and, as highlighted by Schirm (2010) and Hopewell (2015), the BRICS members have often failed to cooperate within institutions of global governance like the G20 and the WTO. However, in the 13 years since the coining of the BRIC (later BRICS) acronym, there is clear routinised foreign policy actions between the BRICS member states to support the historical narrative of the

BRICS. The BRICS have developed a large network of interactions and have institutionalised areas of cooperation. The basis for the development of these interactions has been a common self-identity as an emerging and developing power. Within this self-identity is a commonly held perception that the current system of global governance does not represent the interests of emerging powers and that without reform or the development of an alternative system, emerging powers would fail to develop fully. It is clear that through interaction, the BRICS members have developed layers of collective identity as emerging powers or at least nonliberal economic powers. This collective identity, together with the state capitalist model of the BRICS economies, has meant that the BRICS have adopted a revisionist role within global governance. However, the BRICS have not always adopted this revisionist role, and members' roles may differ depending on which realm of global governance is in question. Within global security governance, for example, the BRICS have undertaken a role as a status quo power, defending the position of the sovereignty state and the noninterference in the internal affairs of others. However, within global economic governance, the BRICS nations have adopted the role of revisionist states seeking to reform not only the structures of the institutions of global economic governance such as the IMF and the World Bank but also the rules and norms that allow for collective action within global economic governance. The BRICS members have performed role behaviour in order to underwrite their role as the leaders of the developing world. This has included the development of the NDB and a strong focus on development issues, such as food security. This has had a clear effect on the evolution of a new agenda within global governance, one that focuses far less on the spread of the liberal economic model and the values that entails and focuses far more on developmental issues.

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The BRICS in the Global Order: A New Political Agenda?

Marco António Martins

Abstract

Regarding the BRICS (Brazil, Russia, India, China and South Africa) it's important to analyze comparatively the new power cycle in order to understand not only the impact of the world crisis as well as the relationship between the official political discourses and the economic instability. Actually, the trade liberalization and economic interdependence accompanied with an uncertain international system are putting pressure to the BRICS with their own agendas for global order in seeking for a balance and also to regain a new political and economical dynamic for the promotion of new strategies. The international system leading by the United States is presently experiencing turbulent structural change that consists of the need to implement political, social and economic measures and to create adjustments of the political debate towards the construction of a policy that can respond concurrently to the welfare and to international stability. Apparently the BRICS are the symbol of a new political and economic order eventually more stable. However, as international actors they are states that are included and remain in the Westphalian paradigm. In that order, it's import to measure the limits and the possibilities of these 'new' actors. It's only a matter of political power with international impact, or it's a matter of a new concept of civilization in the international system?

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1 International Relations Have Changed?

When the first decade of the twenty-first century had passed it began to be confirmed what several authors have been announcing: international relations have changed a lot, either in the qualitative point of view either in a quantitative angle, but faced with an exhausted paradigm that greatly increases opacity in international politics. In the background, as already noted (Veiga 2009), despite all the apparent major changes after the end of the Cold War, which in some aspects seem to represent an hypermodern leap, the truth is that these mutations were interpreted with an imaginary and a speech somehow outdated. Which means, of course, that we are facing a clash of narratives. But, because a story of our time can only be perceived as a cultural history which contains, at the same time, the short, medium and long term (Aróstegui 2004) so it must also be recognized that this opacity is difficult to explain, as there will be undoubtedly new elements alongside with others that are unveiled at the precise moment that we approach an increasingly faster time.

Either way, the “official” narrative is in reality an absence of narrative, but instead is a repetition of an idea that strongly affected the West. The Spanish historian Francisco Veiga argues that this mismatch is caused, basically, (1) the fact that the technological advances of the new media seem to put the planet at a distance of a keystroke, as limitless as a reinforcing a naive faith in technical progress, making believe that the globalization process was easily controllable, and (2) the psychological predisposition of Western societies to believe not only that they won the Cold War as the conflict in itself was not real with massive attacks and casualties comparable to those of previous global conflicts, and therefore did not involve the societies of abundance in any reconstruction efforts.

This narrative does not correspond, of course, to the facts because many events have been forgotten many events that should be weighed in a more accurate interpretation of reality. The greater assumption was to understand that the different perceptions of the world are in reality reduced to one, when, in fact, many other interpretations are possible. This applies to the evolution of the Chinese political system, which somehow triumphed with the end of the bipolarity world order in the international system that ran from 1945 to 1989. But not only: Islam also had reason to judge as the winner, as it somehow contributed to the erosion of Soviet power, in alliance with the West, no doubt, but with very different purposes, as we now can perceive.

Moreover, when, in 1997, a state like Malaysia emerged from the crisis by refusing aid from international financial institutions like the IMF, instead it preferred to turn to Islamic banking, it was also found a substantial disjunction that got unnoticed to the Western public opinion, which was occupied with the illusions of consumption. It was also lost the fact that the EU enlargement to Eastern European states didn't balanced the contradictory vision on Europe that was then installed, with implications that couldn't fail to have on relations with Russia because historically this would be absurd to believe in his disappearance (Platania 2007).

Another point of view of the problems that the world cannot fail to meet, and whose perception has been successively failing in the name of productivity, in itself an underground problem and long solved, but still has not exceeded the academic circles (Kende 1971; Lipietz 1997; Georgescu-Roegen 2007) and went through to real politics. This is the kind of blindness that could open the possibility of the human species may be entering in a new era, “anthropocene”, and believe in the unlimited technical capacity, not realizing the true contours of the ecological crisis that industrial civilization has created and also not be prepared to face the “biocide” and “ecocide” (Hösle 1992; Lebeau 2005).

This opacity has much to do with complex and contradictory conditions facing that part of humanity that somehow determines the so-called “world time”. In part, because it lacks of a solid basis for a worldview (Tarnas 2008), which alone carries with it a seemingly paradoxical strengthening of traditional assumptions that, in turn, can no longer enable a single narrative about the main fundamentals. We do not know if, as Heidegger said, “*only a god can save us,*” but we recognize that the audacity and daring that open paths are not the first movement of a social system when they feel unsure.

Then, because part of humanity that has the “factual” power provides what has been called the “super-class” or “hyper-class” (Rothkopf 2008; Dussouy 2009), i.e., one set of people, from multiple cultures and countries, which is not constituted as a homogeneous power elite but, wielding political power and economic transnational that distance themselves from any other population, including the national middle classes, and as a whole they end up without sharing the same classic western worldviews of capitalism. So, from here it derives a large opacity, since not only dissolves the notion of society, sociologically connected to national experiences, but still within the old boundaries strengthens any populist perspectives. Let us also remind that, in consequence, this hyper-class is characterized axiological by an enormous heterogeneity which accentuates the “chrematistics” drives in control of power.

It follows an appreciable anomie. This is because the so-called “globalization” ended up being a “total social phenomenon”, no doubt, but does not imply a “global society”, but instead corresponds to a kind of “global neo-medievalism” (Dussouy 2009) composed of networks of individuals who play their purely individual interests, organizations of different kinds, transnational corporations, remaining the states irreplaceable entities, as no other new form of organized political power have emerged. No doubt it has changed the scale and circumstances of its development, but nothing further.

2 The Emergence of BRICS and Its Narrative

The great example of our time is, of course, the emergence of BRIC and its narrative. The post-11 September 2001 international system that was marked by attacks perpetrated in the heart of Manhattan at the *World Trade Center*, which symbolized until that very moment the projection of American hegemonic power,

has come to accelerate and enhance the transformation of world order. Thus, it is worth mentioning that international relations are increasingly operating in a dramatically changing world of uncertain paths of order apparently indefinable, not composed by the continued presence of a hierarchy of powers, but by the convergence and/or divergence point as the unpredictability of the domestic facts potentially international (Moreira 1969).

The fickleness of the way in the international arena has been encouraging over the last decade the emergence of new forms of exercising power, as well as a strategic reconfiguration of the main actors within the regional balance of power in each State, in exercise of its sovereignty, demand that the new correlation of forces set up a hierarchical construction of the international reality that may be accepted by other powers beyond what had been stipulated in the *Treaty of Holy Alliance* in 1815, or declared by international law in ensuring the international order, as in the opinion of Bertrand Russell (2010) international relations should at first seek to avoid war and then prevent that powerful states oppress the weak.

The year 2001 in addition to symbolize the terrorist attack on U.S. territory, marks the beginning of a new economic era by the voice of Jim O'Neill of Goldman Sachs. Precisely, on November 30 emerged for the first time the acronym BRIC in the report "*Building Better Global Economic BRIC*" regarding countries as Brazil, Russia, India and China. In this context, taking into account the territorial sense of insecurity generated, it was essential to boost the economic and financial arena with international markets to avoid a global crisis. The BRIC emerged as a credible alternative and investment new market, as analyzed on the report of October 1, 2003, "*Dreaming with the BRICs: the path to 2050*".

The answer in the search for a equilibrium of world economic policy results in providing alternatives regional centers converging on the potential of growth rates regarding the Gross Domestic Product and the number of inhabitants that bring together the four countries, although they represent political systems with contrasting cultural and social characteristics. For Jim O'Neill (2011) the International Monetary Fund and the G8 economies represent the inability to meet the challenges of the new world that is being built, particularly considering since 2011 as the BRIC markets growth, which should, in redefining the world order, become more politically astute.

Note that the heterogeneity of the BRIC can generate apparently a first impression, concerning behavioral difficulties in the relationship between sovereign entities. However, Nicholas Spykman (1933) includes in the definition of international relations and relations between individuals relevant technical influence that they can stop engaging in intra-state behavior. So, it should be noted that starting from the individual, the homogeneity of the BRIC, particularly of its projection and the actual capacity of power transposed to the international system, will result in the congregation of wills of the individuals in the sphere of governing each of these countries, by other words, the political and economic elite.

Without a doubt, it is evident the need to identify and analyze the aspirations and immediate needs involving the system (Kaplan 1975). Relating to this case it is important to recall the visit of U.S. President, Barack Obama, in Brazil on 19 and

21 March 2011, whose speech emphasized the goal of achieving an equal alliance with the countries of Latin America, bringing to mind the concept of *alliance for progress* of former President John Kennedy. In a joint statement of President Barack Obama and President Rousseff is committed that the United States and Brazil represent a global partnership in building the world order.

This kind of partnership also applies to China, given the intentions by the U.S. administration to opt for a strategic policy of rapprochement in the name of public diplomacy and the combination of *smart power*, that integrates the concepts of *hard power* and *soft power* to counter the growing Chinese influence in Asia-Pacific region, and also to avoid the formation of a regional military and economic region between China and Japan with implications for international security (Pelle 2007). It should be noted that in the area of regional security in Central Asia China cooperates with Russia within the *Shanghai Cooperation Organization*. Moreover, in the American geopolitical vision India represents a natural strategic partner for being a factor of stability in South Asia with regard to Bangladesh, Nepal, Sri Lanka, Pakistan and Myanmar.

Precisely, in addition to China, which has a specific national determination that is being jointly shared with civil society to overcome nearly a century of humiliation (1842–1949) and in order to regain its place as the *middle kingdom* (Barbé 2011), Brazil has been positioned themselves as a strategic actor among the BRIC, not only at the regional level in Latin America but also globally in the consolidation of democratic values and reducing the high rate of poverty that plague these countries. President Rousseff reaffirms the need to build a new world order rooted around human values and not merely in a defense based on neoliberal economic matrix.

To do this, it's evident the need to create basic conditions which will promote the integration and not exclusion of the poor, beyond the imperative character to refocus the international debate around human rights. In the context of international politics Brazil has advocated a substantial reform of the UN to increase its effectiveness in the international arena in times of crisis or conflict, as was the cases of Libya, Iran and, recently, the inefficiency in managing the issue of Syria. It is recalled that President Rousseff expressed his counterpart Barack Obama's ambition to occupy a permanent seat on the Security Council, bearing in mind that the UN cannot continue to represent the old world order. In fact, the BRIC position themselves as strategic partners increasingly global and not only as emerging or growth markets, therefore the gradual recognition by the U.S. administration of the role of this group, not yet official recognized as an organization, in the reconfiguration of world order, even that to some analysts (Brzezinski 2012) the U.S. role in the Asian region consisting of the balance of respecting historical and geopolitical space of China, engaging in some ways acting as a conciliator, as the role played by Britain in the nineteenth century in terms of European politics.

The world is in transition to an effective change of paradigm because of states are operating simultaneously, as international relations actors, in an undeniable reality of global interdependence and unpredictability. On April 14, 2011 it was held a meeting of BRIC, with the motto *broad vision, shared prosperity* in the city

of Sanya, Hainan Province in the People's Republic of China, which was attended by the leaders of those powers. The agenda of the meeting addressed the following topics: (1) the strengthening of BRIC in the international arena, (2) the reform of the monetary system, (3) to trade in local currency, (4) the choice of policies on peace and conflict resolution, (5) the inclusion of South Africa in the BRIC countries, by its increasing geopolitical role, not only in southern Africa, but throughout the African continent.

The BRIC countries are regional powers endowed of global projection by the fact that they are carrying out the combination of three different levels in the international arena: (1) in the formal structures of the sovereign state, (2) in the internal environment with regional projection, (3) in the global external environment. The combination of these levels determines the effective capacity of balance and change over the international system, both politically and economically, with the intervention of a strong civil society; this is now an integral part of the change/reset in the redefinition of the world order.

When considering that the BRIC are an integral part of the international subsystem stand out in this case the following functions: (1) maintaining the internal structure of the state, (2) strengthening regionally and (3) expanding its activity in the external environment, (4) increasing its influence in the international system in order to maintain the balance of the global order with the other powers. However, the reconfiguration of world order around the BRIC also raises next to each society the emergence of a feeling, sometimes convergent, sometimes divergent, relative to the position of political and economic elite, which determines the degree of satisfaction from it.

Although they are disparate realities, the factor identity establishes the relationship between the BRIC countries, bearing in mind the need for convergence to ensure survival in the international arena means that the notion of difference should be legitimately recognized by the other to minimize the divergence in name of a common sentiment subsequently adapted or transformed (Anderson 2002), to be avoided disruption of external and internal environment. Moreover, the formation of alliances depend on the homogeneity (and structures similar values) or heterogeneity (different structures and values) of the system, as well as the ability to influence decision-making among other actors in international relations (Aron 1997). Consequently, in the sphere of BRIC it's possible to identify four dimensions (Hemant 2008), as follows: (1) cultural, in which each country has its characteristics, (2) management, which evidence the practice of different policies, (3) geography, where the allocation of the cost of transportation and communication derives from the distance between each country, (4) economic inequality because of costs, wages and access to natural resources.

The BRIC eventually may fill a very important new role in redrawing the geopolitical order, and requiring the U.S. to share power with other powers in the international arena in order to avoid its transformation in an *old Europe* (Jain 2006) of national states. Is it possible, however, reducing this problem to a simple, even if renewed, game of chess? We think that it's not possible, after all they are essential

regulatory links, even if they differ in function of the cultural space experienced by social systems.

3 The European Weakness

Anyway, the fact that there is only an apparent weakening of the state, because of the loss of political sovereignty of weaker units, is reinforced by the moves of the “global civil society” as the *Wall Street* or *occupy*, actually illustrate the deterioration of a feeling of instability of world order, but probably what is happening is a new design of the world order that will require the consent, not just of a superpower or a hegemonic power, like the United States, but with a block called the BRIC powers that have been changing the behavior of the international system, particularly through the projection of China at the global level with a Europe increasingly fragmented (Friedman 2012).

The European weakness is another symptom of the opacity of which we speak. It means, above all, a lack of confidence/in European society (Habermas 2004). The dangers of this deficit come now to the surface, since Europe is facing the dilemma of having to recognize that the other is part of their identity, which puts on the table the question of whether that vision is the identity Europe. Habermas thinks that the identity of large human groups implies, in developed societies, a sufficient rationalization of the political and cultural relations which involves replacing the old modern European nation-state. Obviously the fact that the European integration process have evolved according to systemic functional assumptions that somehow discharged a normative thinking, just shows that this process took place under the baton of economic subsystem that “knew” normative bonds are dispensable.

However, the post-1989 changes began to bring new issues, namely:

1. the EU enlargement to 27 members put in question the essence of the procedures of legitimation, as negotiations between states were never deliberative-democratic nature, based on a common spirit of solidarity and trust, such as occurred in the internal evolution of European societies as national liberalism could develop its ethical-political message endowed with a certain universality. Obviously this did not happen because it could not happen, but it is good to stress that it means something contrary to the dominant narrative, means that the EU, is more or less a coalition of states in Europe, have a different view of history, beginning with the drive nationalism and identity of Eastern European societies, which were, until 1989, under Soviet influence
2. The lack of resources puts itself problems of legitimacy that only ethical and political basis can avoid. However, as we know, the risks of persistent lack of citizen participation are enormous, because the mechanisms for coordinating national policies increasingly require the integration of systemic-functional basis
3. Given the drift of unilateralist U.S. foreign policy under the first term of George W. Bush the European Union showed a profound incapacity of reaction, if not

even suffered a blow when it was divided into “old” and “new” Europe. Disability that was accentuated by the problem of formation of the “constitution” of Europe, because of the appalling lack of ability to answer the fundamental question about the purpose of this unification, it seems so easy in the areas of systemic integration and so difficult, embarrassing and changes when it puts the problem of knowing the “real” political structure and identity in Europe with a Constitution. As Habermas points out again, the broad republican and Universalist eventually grow forever in the shadow of nationalism and not by the establishment of a true European *demos* (Habermas 2004). The result is a paradox: it is seen at a time, an empty Europe because it will be without its “people”; a Europe divided into States and a Europe deeply asymmetrical with “frantic” rulers, structures, business. However, there is, as everyone has noticed, the general interests politically sustainable without a common symbolic space

4 A New Universal Order?

Talking about a new universal order raises the problem if is possible to obtain a design that can contribute to a “hermeneutics of universality” (Dussouy 2009). Somehow, we can just start by saying that the idea of a unified humanity is a chimera because it does not stand up to factual analysis. Perhaps the most beautiful setting its assumption of a membership of a philosopher not exactly known for its specialty in political theory and international relations, Hans Georg Gadamer, who tells us that a more correct approach would be to have “the ability to hear the other thinking he would could be right. . .”.

Some authors, such as Ortega Carcelén (2006) speak of a “global cosmocracy” which requires three worlds: a chaotic, a pre-modern, a modern in nature, in an anarchic sense of Hedley Bull, where there are correlations of strength, even with regard to values, and a further one as post-modern, aspiring, and wanting a greater political and economic integration, or having the greatest representative democracy. This design presents difficulties, not least because it will always be difficult in terms of long cycles of history, which are the modern and pre-modern, for example. But not only: in this model cannot see how come men as subjects of rights, that international law and all legal and political tradition have long recognized. This position assumes that the rights of sovereignty of states can “naturally” be opposed to the rights of people and human rights. It is true that this means there is a “conceptual crisis” in international law that, before globalization, intends to participate in its regulation without losing their ancient armor of three centuries (Casella 2008).

Too big to solve local issues, too small to regulate global business, the state is in crisis, everyone knows but few people get to define sovereignty as an *organized hypocrisy* (Krasner 2001), which weakens as the *supreme potestas* is called into question in relation to other actors and techno-economic anarchy that knows no boundaries. Trying to overcome these weaknesses, Rafael Domingo (2008) opposes the idea of an “*Anthroparchy*”, which is not a world state, but the recognition of a

‘united humanity’ to which all human being belong so irreplaceable that will allow developing a new global political will. This concept is appealing, although from our point of view too abstract and looks at humanity as a whole that knows no particular historical developments. It has, however, one virtue: it calls into question that the Italian legal philosopher Bruno Romano calls the “*functional contemporary fundamentalism*” (Romano 2002), who sees the subject in a piecemeal manner, which sees facts but does not see phenomena, in that the human action always takes place producing a surplus that power in social history. Thus, there is an axiological densification gap with respect to a substantive citizenship, in that the bonds which link men and societies should be produced by identity, despite the difference. The commitment to pluralism is very demanding; it is easy to succumb to the temptation of expressing universalism by standardization (Galli 2010; Appiah 2007) falling into the “factory” of identity ideology.

5 Conclusions

Modern politics is therefore facing a dilemma: the world “society” somehow post-Westphalian institutionalized and very opposed to a world economy that has globalized but rests on a model that, in case of conflict, corresponds to the “relational” structures of state in the sense that was assigned by René-Jean Dupuy (1986), i.e., based on the expansion of power and violence. It can therefore sustain the idea that the modern paradigm of politics was lost in a global world that does not respond to the complexities emanating from it (Revelli 2008). You could say, in effect, that modern politics has promised a certain idea of freedom through the double security/legitimate violence, but today is no longer able to perform, nor promised freedom, nor safety for granted. Globalization has become a powerful source of disorder whose conflicts seem more like a Hobbesian state of nature than with the order fierce mortal God.

Worse, in fact, the most important international conflicts are increasingly dependent on various causes and have gained an exceptional nature that has become a permanent problem before which humanity finds itself devoid of reflection, because we live in a global risk society (Beck 2006). It is a pure and simple fact that the successive interventions of states capable of this, interventions always more or less muscled, it does not follow what we might label as “the restoration of a social and existential balance”, which was always a purpose, in principle, pursued by conflicts, even if seen by the winning side, and it is true that we find lots of analysis around each failure, and even new concepts (such as *peace keeping*, for instance), it is not less true that we are facing a systemic failure, i.e., towards a crisis of the project that self appoint as a “new world order” and cannot sort out local disputes. In brief: it is not legitimate under an ethical political point of view, also not sustainable, from a “technical” “point of view”, the axis “Hobbes/Weber”, because humanity faces new dangers that can destroy a whole.

At the end of the bipolar world system, in 1989–1991, some thinkers, as the philosopher and theologian Balducci (2005), spoke of the senselessness of

contemporary warfare because of its limitless possibilities, of the swirling circle carrying conflicts in a limited and “closed” planet. Balducci thought that peace would be possible on condition on placing human consciousness at the epicenter of the problem regarding the solution of the tension between North and South; a solution which would require the creation of new cultural political and economic ties. That’s why this catholic thinker like to know that the early Christians were not designated as such until 43 AD when the Roman power “found” this concept for reasons of public order. What happened was somewhat the opposite: the unthinkable was instituted and the story is no longer safe. And yet, because the man cannot not learn, are the threats of endless wars and ecological catastrophe that produce, with its comprehensive nature, the unification of the human and its constitution as a collective subject who seeks self-preservation. The most important contribution of the West is, without doubt, the potential of its uncertainty. As Serge Sur (2010) analyze, the “mysterious frontiers of the West” that had always had as the focal point the spirit based on free thought and public debate. But, the author include, civilization is always precarious and endowed with a strange willingness to open itself to *hubris*. The present moment displays a world that thinks at the same time as eternal, immediate and very devoted to an attitude of *post festum, pestum*.

An erratic world, therefore, that accelerates in times of human, economic and ecological predation. All this has been overlooked by many apostles of globalization (Dussouy 2009), which leads us to believe that a theory of universality can no longer rely on the current political management arrangements for his narrative to a minimally objective. Only a new “global domestic politics” could draw a new vision of a universal world order. But the outlines of a global domestic politics that there are clearly among the “no longer” (the classic international institutions no longer work) and “not yet” (potential new institutions such as the G-20, have no meaning beyond strategies term).

A new global policy will need further more complex tools for an effective policy of global interdependence. However, we do not see such a policy as possible until it is put into effect a policy that goes beyond the “impossible unity of the world” and its “structurally outdated division between States.” Perhaps the contemporary crisis enables the opening of some inter-regional and inter-ethnocentric alternatives, perhaps the only possible way (Dussouy 2009).

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Is BRICS Institutionalization Enhancing Its Effectiveness?

Marina Larionova and Andrey Shelepov

Abstract

This chapter aims to explore how BRICS institutionalization correlates with its effectiveness. Thus authors examine the data on BRICS institutionalization in relation to several effectiveness dimensions. First, the study looks at how institutionalization correlates with the balance of global governance functions in BRICS performance, namely: deliberation, direction-setting, decision-making, delivery and global governance development. The analysis is made on the basis of the discourse share devoted to a concrete function in the total annual discourse of the forum. Second, the authors explore BRICS contribution to global governance agenda tracking the dynamics of priorities on the BRICS agenda and assessing the shares of specific priorities in the total discourse. Third, they evaluate the BRICS contribution to development of multilateral global governance, analyzing the references to international institutions in the BRICS discourse, mandates to international institutions and mechanisms established by BRICS within the forum. Finally the study looks at the BRICS compliance performance on concrete commitments made by the leaders at their summits.

1 Introduction

The BRICS countries' role in the global governance system is defined by their increasing weight in the world economy. Since the inception in 2008 the BRICS have gradually matured into a global governance actor. According to Jim O'Neill, who in 2001 introduced this acronym, "all four of the BRIC countries have exceeded the expectations I had of them back in 2001. Looking back, those earliest

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predictions, shocking to some at the time, now seem rather conservative. The aggregate GDP of the BRIC countries has close to quadrupled since 2001, from around USD 3 trillion to between USD 11 trillion and USD 12 trillion. The world economy has doubled in size since 2001, and a third of that growth has come from the BRICs. Their combined GDP increase was more than twice that of the United States and it was equivalent to the creation of another new Japan plus one Germany, or five United Kingdom, in the space of a single decade” (O’Neil 2011). In spite of the recent deceleration Brazil, China, India, Russia and South Africa accounted for 29.5 % of global GDP (PPP-based) in 2013, a figure that is forecast to rise to about one-third by the end of the decade.¹ But the BRICS increasing role in the global governance system is not a function of only one variable, namely, economic growth of BRICS countries. Strengthening cooperation of these countries significantly contributes to the BRICS rising influence. Since BRICS inception at the leaders’ level in the crisis year of 2008 its members have been broadening and deepening their coordination and cooperation in different policy spheres, different formats and at different levels. Similarly to other international institutions, BRICS aims to help member countries address collective problems and ultimately improve their people’s welfare, especially compared to what individual states can achieve alone. If BRICS fulfils the demands placed on it and thus attains the goals that the members have jointly agreed upon, it can be considered as effective (Beisheim and Fuhr 2008).

This chapter aims to explore the BRICS institutionalization contribution towards its effectiveness. The chapter first considers BRICS cooperation (its institutionalization, dynamics of priorities and functions in the discourse and engagement with other international institutions) across different areas of the agenda. It then looks into BRICS effectiveness measured by the number of commitments adopted and the level of compliance with them. In conclusion, it asserts that BRICS decision-making and compliance are the key factors for enhancing BRICS effectiveness to its members and the global governance. However, both consensus decision-making and compliance performance depend on solidarity of members’ interests and political will to address common challenges.

2 Methodology

The methodology used in this chapter draws on quantitative and qualitative analysis of the full set of the BRICS documents produced since the first meeting at the leaders’ level in 2008. The documentary evidence base includes 37 documents adopted at the summits and ministerial meetings. Starting from the first meeting of

¹ Report for Selected Countries and Subjects, IMF World Economic Outlook Database, October 2014. Date of Access: 22 January 2015. Available at: <https://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weorept.aspx?sy=2012&ey=2019&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=49&pr1.y=14&c=223%2C924%2C922%2C199%2C534&s=PPPSH&grp=0&a=#cs1>

foreign ministers on 21 September 2006, as of December 2014, there were 11 summits, 45 ministerials and 30 meetings in other formats. The data accumulated were analyzed across several parameters.

2.1 BRICS Institutionalization

First, to study the overall dynamics of institutionalization, the data on the number of meetings and documents adopted on the ever expanding BRICS agenda were compared. Analysis aimed to differentiate between standalone meetings and meetings taking place on the sidelines of other events, meetings which adopted a final document and not, meetings where decisions on further agenda deepening or expanding the forum were taken and not.

Second, to compare the relative significance and dynamics of priorities, content analysis was carried out on 12 broad policy areas of the BRICS agenda. In the framework of this analysis, a text unit from a BRICS document could be counted as implementing only one priority or marked as uncategoryed. Absolute data on the number of characters denoting a particular priority were translated into relative data. These were calculated as the share of characters denoting the priority in the total length of all texts and expressed in percentages. The comparative assessment was based on the relative data of each priority share in the total or annual BRICS discourse.

Third, to assess BRICS capability for global governance, the institutional performance of the global governance functions of deliberation, direction-setting, decision-making, delivery and global governance development has been traced. Deliberation was defined as face-to-face discussions among the BRICS members reflected in the collective documents. Direction-setting was understood as the collective affirmation of mutually shared principles, norms and prescriptions. Decision-making was defined as the adoption of credible and clear collective commitments with sufficient precision, obligation and delegation. Delivery was regarded as stated compliance with collective commitments. The development of global governance was understood as the capability of the BRICS to use other international institutions for implementing its goals and create its own institutions as global governance mechanisms (Kirton 2013: 37–39).

In the framework of content analysis, a text unit was counted as implementing only one of the abovementioned functions. Similarly to the analysis of priorities' dynamics, absolute data on the number of characters denoting a certain function in the text were translated into relative data calculated as the share of the function in the total of all texts and expressed in percentages. The comparative analysis of the performance of the global governance functions used the relative data of each function share in the overall or annual BRICS discourse. The analysis of the function of global governance development was substantiated by the data on BRICS engagement with other international institutions, such as the number of references and mandates delegated by the BRICS to international multilateral institutions and the number of own instruments and institutions established by the

BRICS. The function of domestic political management is usually regarded 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). In the framework of the analysis carried out to examine the dynamics of BRICS institutionalization, however, another parameter was examined, namely, BRICS actions that respond to the long-term priorities of its particular members and may result in social and economic benefits for them.

2.2 Compliance Assessment

While analyzing BRICS effectiveness, particular attention was paid to implementation of decisions agreed by its members. Given that collective commitments made at the BRICS summits by its members reflect their shared goals, increase in the number of concrete decisions and, more importantly, in the level of compliance with the adopted commitments can be considered as an evidence of strengthening BRICS effectiveness. BRICS compliance studies use the methodology developed by the G8 Research Group, which has been monitoring G8 compliance since 1996. It was adopted for monitoring BRICS since its summit in Sanya in 2011. This methodology aims to provide consistency across members, commitments and presidencies.

Commitments are defined as discrete, specific, publicly expressed, collectively agreed to statements of intent; 'promises' or 'undertakings' by institution's members that they will undertake future actions to move toward, meet or adjust to meet an identified welfare target. Compliance is understood as national government action aimed towards formal legislative and administrative measures designed to implement summit commitments (Kirton et al. 2014).

Compliance assessment deals with priority commitments selected from the BRICS summits documents. Priority commitments are those that best capture what the summit as a whole did on the decision-making dimension of its global governance. Due to the increasingly large number of commitments that appear in the leaders' documents (for instance, 47 commitments were adopted at the Durban summit in 2013, and at the Fortaleza summit this figure rose to 68) and some technical limitations, only commitments that reflect the essence of the summit documents in a reasonably representative way are chosen for compliance analysis. Thus, the sample used for assessing compliance represents the priorities of each BRICS summit and reflects the breakdown of issue areas, i.e. priorities commitments refer to. The selection is also made to allow for comparison with past and future BRICS summits. Commitments selected for monitoring compliance should also meet some additional criteria, such as performance measurability and significance as identified by the research team and relevant experts (Kirton et al. 2014).

A three-level measurement scale is used to assess compliance. Full or almost full compliance with a specific commitment is indicated with a score of +1. A score of -1 means complete or nearly complete failure to implement a commitment. A

score of 0 is given for ‘inability to commit’ or ‘work in progress’. An ‘inability to commit’ is a hypothetical situation referring to factors that undermine implementation and cannot be controlled by the government of the respective BRICS member. A ‘work in progress’ describes initiatives launched by a government which have not yet been completed by the time of the next summit, and whose results therefore cannot be measured and assessed. Compliance scores of -1 and 0 do not necessarily indicate member’s unwillingness to comply. In some cases policy measures need multiple compliance cycles to be fully implemented and subsequently assessed. After getting individual compliance scores, average scores for each commitment and member, as well as an average score for the summit are calculated. These scores can range between -1 and $+1$.

Compliance analysis draws on the data from the BRICS compliance reports prepared by the University of Toronto and the International Organizations Research Institute of the National Research University Higher School of Economics (IORI HSE) for 2011–2013 summits.

3 Evolution of BRICS Institutionalization

3.1 Dynamics of BRICS Meetings

Since the first BRIC leaders’ meeting on the sidelines of the G8 Hokkaido summit in 2008 when they agreed on further cooperation to address major global economic challenges and deal with financial sphere and food security issues, the institution’s collaborative dynamics has been increasing steadily.

Meetings of BRICS finance ministers and central bank governors have become the most frequent and regular cooperation format. At the first meeting in Brazil on 7 November 2008, before the G20 finance ministers and central bank governors meeting, finance ministers of the four countries (South Africa has become the fifth member of the institution in 2012) discussed their policy responses to the financial crisis and proposals on reforming the global financial architecture. They also committed “to continue to undertake all necessary steps to lessen the impact of the recent turmoil on economic activity, aiming to preserve medium and long-term growth” (BRIC finance ministers 2008).

In 2009 finance ministers organized two standalone meetings to coordinate their positions in G20 and met twice on the IMF sidelines. At the meeting in March 2009 they supported the G20’s position as the premier institution to lead international efforts responding to the global financial crisis, called for adequate regulation and supervision of systemically important financial institutions, shadow banks and rating agencies, and considered the reforms of the international financial institutions, including the IMF, World Bank, Financial Stability Forum and Basel Committee on Banking Supervision. Half a year later at the meeting in London BRIC finance ministers and central bank governors set a target of 7 and 6 % for redistribution of quotas and shares in favor of developing countries in the IMF and World Bank, respectively. Thereafter, BRICS established a practice of regular

meetings of finance ministers aimed at preparation to the BRICS summits and coordination of individual positions in the G20 and other international financial institutions has been established. Finance ministers and central bank governors traditionally consult in standalone meetings and on the sidelines of the spring and annual meetings of the IMF and World Bank. As a result, by the end of 2014, 17 meetings had taken place and five documents had been adopted.

Finance ministers meetings have become the most important component of coordination on the BRICS broadening and deepening agenda along with the summits and the meetings between ministers and deputy ministers of foreign affairs launched in 2006. BRICS foreign ministers traditionally meet on the margins of the UN General Assembly sessions. They constantly reflect on challenges to global peace and security, support the transformation process towards a new and more equitable global order. They share common position that political challenges that exist in the world should be addressed within the United Nations in a peaceful manner.

Cooperation between ministers of trade has also been strengthening since its beginning in 2010. Seven meetings have taken place so far, including two joint meetings with economy ministers. The ministers have established the Contact Group for Economic and Trade Issues. The contact group has developed an institutional framework and proposed measures to expand economic cooperation within the BRICS and between the BRICS and other developing countries. It has also prepared a Joint Trade Study containing recommendations for promoting value-added exports among BRICS countries, and developed the BRICS Trade and Investment Facilitation Action Plan. These documents build on the BRICS Trade and Investment Cooperation Framework adopted prior to the 2013 Durban summit. BRICS Economic Cooperation Strategy and Framework of BRICS Closer Economic Partnership have been drafted under the Russian and Chinese experts' lead and are currently subject to consultations. At the 2014 Fortaleza summit BRICS leaders committed to raise their economic cooperation to a "qualitatively new level" through establishing a road map for intra-BRICS economic cooperation based on these two documents (BRICS 2014).

Regarding agriculture and food security, directions for cooperation set at the first summit in the joint statement on global food security made by the leaders at the Yekaterinburg Summit in 2009, were elaborated in the Moscow declaration of the agriculture ministers adopted in 2010. Given that only three agriculture ministers meetings have taken place so far, the establishment of the working group, the launch of the BRICS Strategic Alliance for Agricultural Research and Technology Cooperation, and the adoption of the Action Plan for cooperation in 2012–2016, which strengthened delivery and accountability in this sphere, can be considered as major steps towards further institutionalization of the BRICS dialogue.

The same tendency for rapid institutionalization of the dialogue is also observed on the health agenda. Seven BRICS meetings focused on health have been organized so far, including four standalone ministerials and three meetings of BRICS permanent representatives in Geneva on the sidelines of the annual World Health Assembly, each issuing a communiqué. BRICS health ministers have

organized the work on thematic areas through the technical working group and the BRICS technological cooperation network. Overall, the number of meetings on health issues is the fifth highest among all the BRICS formats, after, the finance ministers and central bank governors, the foreign ministers, the trade ministers, and the leaders themselves.

BRICS have recently established their dialogue on education at the ministerial level (the first meeting took place on 5 November 2013) and science, technology and innovation ministers who met for the first time on 10 February 2014 in Cape Town. Russia is planning to organize the first meeting of BRICS environment ministers during its 2015 presidency. BRICS cooperation is also pursued in non-ministerial formats. These include representatives from competition and customs authorities, export credit insurance agencies, development banks, intellectual property offices, national statistical services, supreme courts, officials responsible for population issues and national security advisers.

Thus, the dynamics of BRICS cooperation institutionalization has been high. 88 meetings have taken place so far. Alongside with the summits, foreign and finance ministers meetings, there are 14 cooperation formats. The BRICS members have produced almost 40 documents on their constantly broadening agenda. There is a clear trend of increasing the number of standalone meetings, releasing more documents, and creating more working groups and other mechanisms of coordination.

3.2 BRICS Discourse Evolution

The shares of different priorities on the BRICS agenda change along with its development and institutionalization. Although BRICS is frequently called a political forum, about 23 % of its total discourse is devoted to economic issues, including the overarching objective of generating strong, sustainable and balanced global growth, whereas more than 21 % is devoted to financial regulation and reforming international financial institutions. Up to the moment (December 2014), these two areas dominate the BRICS agenda. Although the shares of economic and financial issues has been decreasing as BRICS agenda broadens, member states themselves still consider BRICS to be “a major platform for dialogue and cooperation in the economic [and] financial fields” (BRICS 2011).

More than 10 % of the BRICS agenda deal with trade issues. The share of this priority peaked during the Indian presidency at almost 21 % as BRICS leaders expressed their commitment to the rules of multilateral trading system. However, it has consistently declined thereafter.

Since 2011, when the BRICS launched the dialogue on health in the framework of the Chinese presidency, its share in the discourse has become one of the highest among all action areas considered, reaching the average of 9.53 % of the total BRICS discourse.

The average share of the total discourse devoted to political and security issues is less than 9 % (5.4 and 3.4 %, respectively). These areas include coordination of

national positions on the UN reform, global challenges and threats of terrorism, crime and piracy, consultations on crisis situations in different regions, including Afghanistan, Syria, the Middle East and North Africa. The share of political issues in the agenda is increasing along with the growing number of crisis situations that need to be addressed.

The dialogue on development within BRICS is strengthening. Substantial contribution towards shaping BRICS agenda on development was made in the framework of the Brazilian presidency in 2010–2011 and South African presidency in 2013–2014. In 2011 BRICS started their dialogue on health-related development issues and consolidated its work on agriculture and food security in poorer countries. At the Sanya Summit the BRICS leaders committed to support infrastructure development in Africa and its industrialization within the framework of the New Partnership for Africa's Development (NEPAD). This commitment was reaffirmed at all subsequent BRICS summits (BRICS 2012).

Issues of environmental protection, access to new energy sources, development of clean technologies and renewable energy, measures to ensure energy security and provide economic and social adaptation to climate change are also included in the BRICS agenda, with the shares of respective areas remaining relatively stable related to the overall discourse. BRICS constantly expands its agenda. For instance, at the 2014 Fortaleza summit the dialogue on corruption was launched. The dynamics of BRICS priorities is presented in Table 1. It should be noted that the data for this table are derived from a database containing 37 documents adopted by BRICS in different formats as of December 2014. Thus, the data related to the Brazilian presidency is not final given that the presidency continues at the time of the chapter writing.

3.3 Balance of Global Governance Functions

With BRICS rapid institutionalization and evolution, the distribution of the global governance functions of deliberation, direction-setting, decision-making, delivery and global governance development in its documents has changed. The most obvious trend is that while the share of deliberation in the BRICS documents has been declining, the shares of direction-setting and decision-making, although volatile, have been gradually going up. The foreign ministers communiqué and the three documents produced by finance ministers prior to the summit in Yekaterinburg are dominated by deliberation (28 % of the discourse) and direction-setting (almost 69 % of the discourse), while the share of decision-making amounted to only 2.6 %. During the Russian presidency the share of deliberation remained stable, the share of direction-setting decreased to 49 %, while decision-making rose considerably to stand at 22 %. Later on, the share of decision-making function continued to grow and reached 38.6 % during the Chinese presidency. In 2012–2013, the indicator dropped to 26 %, and fell further to 23 % when South Africa chaired the institution. However, it jumped to over 63 % during the Brazilian presidency in 2014 (here again the data on Brazilian

Table 1 BRICS priorities 2008–2014, share of characters, %

	Before the Russian presidency	Russia 2009–2010	Brazil 2010–2011	China 2011–2012	India 2012–2013	South Africa 2013–2014	Brazil 2014–2015	Average
Economy	30.77	53.79	29.3	27.82	6.42	9.06	6.04	23.31
Finance	45.78	19.53	8.3	4.27	8.94	3.83	59.06	21.39
Trade	5.66	6.29	5.5	12.74	20.89	14.89	7.82	10.54
Energy	0	2.88	8.47	4.53	2.12	0	0.63	2.66
Development	3.17	4.8	18.87	7.45	3.31	14.8	2.7	7.87
Political issues	0	1.33	0	3.28	9.54	12.45	10.98	5.37
Security	8.88	1.34	5.25	1.76	1.22	0.95	4.19	3.37
Environment and climate change	5.01	5.51	5.72	8.35	7.7	2.6	1.71	5.23
Health	0	0	0	16.03	31.55	19.15	0	9.53
Corruption	0	0	0	0	0	0	0.27	0.04
Science, IT, education and innovations	0	0.7	0	8.36	2.32	8.89	0.57	2.98
Crisis management	0	0	4.72	0.37	0.32	7.12	0	1.79
Uncategorized	0.74	3.84	13.88	5.04	5.67	6.25	6.03	5.92

Source Own elaboration

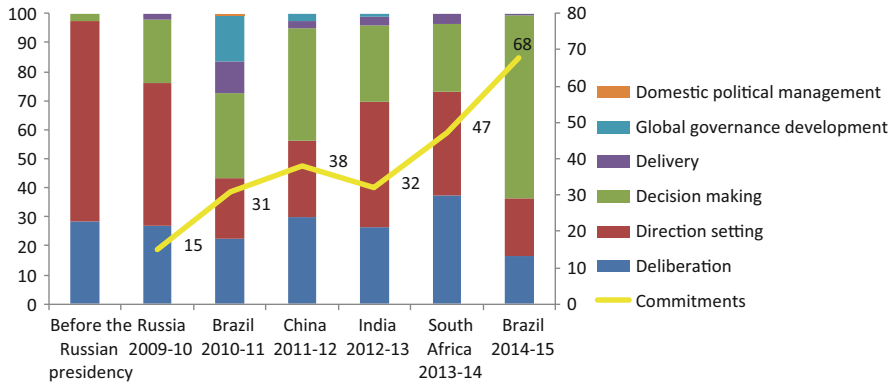


Fig. 1 Dynamics of global governance functions in BRICS documents and commitments adopted by the leaders, 2008–2014 (*Source* Own elaboration)

presidency performance is preliminary as Brazil still chairs the forum at the time of the chapter writing). The share of the delivery function increased from 2.02 % during the Russian Presidency to 3.62 % in 2013–2014. However, it dropped to 0.38 % during the current Brazilian BRICS presidency.

The relatively high share of global governance development function during the Brazilian presidency in 2010–2011 reflects the BRIC efforts to foster the reform of international financial governance and launch of their dialogue on measures to establish new currency arrangements. The documents also contained decisions to create agricultural information data-base and implement several new sectoral initiatives, namely, starting cooperation between development banks, statistical and competition authorities, and establishing special forums for business representatives and think tanks, bringing the share of global governance function to an unprecedented 15.83 %. The dynamics of the global governance functions in the total BRICS discourse is reflected in Fig. 1.

The number of concrete commitments made by the BRICS leaders at their summits has increased steadily. Fifteen commitments were registered in 2009 Joint Statement of BRIC Leaders with one third of them made in the area of energy, and three commitments related to overcoming the food crisis and establishing favorable conditions for agriculture development. At the summit in Brasilia BRICS leaders made 31 commitments. The agenda of the forum has expanded: nine commitments fell under the area of energy, three focused on finance, five dealt with development cooperation, three commitments were made in the area of trade, and two related to global financial architecture reform and further institutionalization of intra-BRICS cooperation. At the summit in Sanya the number of commitments agreed by the BRICS leaders amounted to 38. Six of them addressed the issues of environmental protection and adaptation to climate change, followed by macroeconomic issues, trade and international cooperation (five commitments were made in each of these areas). For the first time BRICS leaders made

commitments on public health, human rights, accountability and combating terrorism.

The New Delhi summit resulted in the adoption of 32 commitments with a particular focus on trade (nine commitments), regional security (four commitments) and development assistance (three commitments). At the same time, no commitments were made on financial regulation. The Durban summit again produced no commitments on finance and was dominated by the South African presidency priorities of development, regional security and international institutions reform. At the Fortaleza summit in 2014, the BRICS leaders agreed on the highest number of commitments in the history of the institution. 68 commitments covered all of the priorities addressed by the previous presidency. Moreover, BRICS leaders reiterated commitments on financial regulation, food and agriculture, science, information and communication, and cooperation in cultural area. They also agreed commitments in the new areas of environmental protection and anti-corruption.

Overall, commitments in the areas of development assistance, international and intra-BRICS cooperation and international financial institutions reform were made at each BRICS summit. The BRICS also regularly made commitments on macro-economic policy, energy and climate change issues, regional security and combating terrorism. One or two commitments have been made so far in the areas that are less conventional for the BRICS agenda, such as nuclear non-proliferation, promoting information and communication technologies, protecting human rights, ensuring BRICS accountability, and cooperating in culture and sport.

The average number of commitments adopted by the BRICS leaders at their 2009–2014 summits equals 38.5. This figure is substantially lower than that for other informal multilateral institutions such as G8 and G20. However, there is a strong upturn trend in the number of commitments made within BRICS.

In the analysis of the global governance development function the data on the share of discourse devoted to this function was complemented by data on the number of references and mandates delegated by the BRICS to other international multilateral institutions. So far BRICS has made references to 42 of them. BRICS cooperation is based on the members' fundamental support to "the overarching objective and strong-shared desire for peace, security, development and cooperation that brought together BRICS countries with the total population of nearly three billion from different continents. BRICS aims at contributing significantly to the development of humanity and establishing a more equitable and fair world" (BRICS 2011). To achieve this goal, BRICS members have consistently emphasized their commitment to cooperation with international and regional multilateral institutions. The most frequently mentioned institution in BRICS documents is the UN (22 % of all references in 2008–2014 BRICS documents), whose importance for addressing global and regional political challenges has been regularly emphasized by BRICS leaders and foreign ministers. BRICS countries also call for a comprehensive reform of the UN including the Security Council. G20 comes second with almost 13 % of all references in the BRICS documents. BRICS members not only support the G20 as a premier global economic cooperation forum, but also coordinate their positions on the G20 priorities. References to the

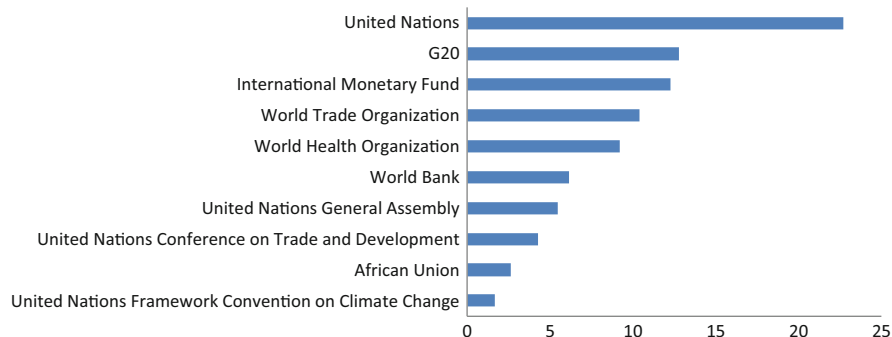


Fig. 2 Top references to international institutions in BRICS documents, share of the total, 2008–2014, % (Source Own elaboration)

IMF and the World Bank make up approximately 12 and 6 % of the total, respectively, while the reform of quotas and representation in these institutions remains at the core of the BRICS agenda. More than 9 % of references have been made to the World Health Organization, in line with the growing share of BRICS discourse on health issues. References to the WTO amount to approximately 10 % of the total. Top ten international institutions in terms of BRICS references are presented in Fig. 2.

The absolute number of references to other international institutions in the BRICS documents varies. However, there is a trend towards its growth. Almost a half of the total of 423 references made in the BRICS documents adopted from 2008 to end-December 2014 were made during the South African and Brazilian presidencies. The figure peaked at 104 during the South African presidency.

At the same time, BRICS engagement with multilateral institutions differs considerably from that of G8 and G20. BRICS cooperation with partners is usually limited to the expression of support to particular international organizations, while G8 and G20 main type of engagement with international institutions is delegation of mandates to implement decisions made at their summits. Up to the end of 2014, no BRICS documents containing mandates to other international organizations had been registered, with only a few documents including leaders' mandates to other BRICS formats (ministers, sherpas, etc.).

4 BRICS Compliance with the Summit Commitments

The commitments of BRICS as a group of major emerging economies mainly fall into the areas relevant for the five countries (see Table 2). In particular, BRICS members' interest in implementing joint cooperation projects and stimulating domestic economic recovery is reflected in the large share of trade and development commitments. Decisions on international cooperation and international institutions reform which remain at the core of the BRICS agenda also constitute a substantial share of commitments standing at about 10 % of the total. At the same time, each

Table 2 Distribution of BRICS commitments across issue areas, 2009–2014 summits

Issue area	Yekaterinburg 2009	Brasilia 2010	Sanya 2011	Delhi 2012	Durban 2013	Fortaleza 2014	Total	Share, %
Trade		3	5	9	4	4	25	10.82
International cooperation	1	2	5	3	6	8	25	10.82
Development	1	5	1	3	10	4	24	10.39
IFI Reform	1	2	1	2	9	8	23	9.96
Regional security	1		1	4	8	6	20	8.66
Macroeconomic policy		1	5	1	5	7	19	8.23
Energy	5	9	1	2			17	7.36
Socioeconomic	1	1	3	2		7	14	6.06
Climate change		1	6	3	1	1	12	5.19
Finance		3	1			6	10	4.33
Food and agriculture	3		1	1		1	6	2.60
Terrorism			1	1	2	2	6	2.60
Science and education	1	1	1			2	5	2.16
Human rights			1		1	2	4	1.73
Culture		1				3	4	1.73
Crime and corruption						4	4	1.73
Natural disasters	1	1	1				3	1.30
Information and communication			2			1	3	1.30
Health			1	1		1	3	1.30
Accountability			1				1	0.43
Sport		1					1	0.43
Nonproliferation					1		1	0.43
Environment						1	1	0.43
Total	15	31	38	32	47	68	231	100

Source Own elaboration

Table 3 BRICS compliance performance, 2011–2013

	Sanya 2011	New Delhi 2012	Durban 2013	Average
Trade	0.40	0	1	0.47
Development	0.60	0.4	0.60	0.53
Macroeconomic policies			0.20	0.20
Financial regulation	0.40			0.40
Climate change	0.80	0.20		0.50
IFI reform	0.20	0.20		0.20
Energy		0.60		0.60
Regional security			0.20	0.20
Terrorism			0.40	0.40
Average	0.48	0.28	0.48	0.41

Source BRICS Sanya Summit Compliance Report. (2011). University of Toronto, March 27, 2012. Available at: <http://www.brics.utoronto.ca/compliance/2011-sanya.html>;
 BRICS Delhi Summit Compliance Report. (2012). University of Toronto, March 22, 2013. Available at: <http://www.brics.utoronto.ca/compliance/2012-delhi.html>;
 BRICS Durban Summit Compliance Report. (2013). University of Toronto, July 11, 2014. Available at: <http://www.brics.utoronto.ca/compliance/2013-durban.html>

presidency strives to incorporate its own priorities in the agenda and can thus substantially influence the breakdown of commitments. For instance, decisions made during the Russian presidency in 2009 focused mainly on energy and agriculture. Brasilia retained energy as a top priority and also added development issues to the agenda. 2011 summit in China resulted in the shift towards commitments on climate change. Indian and South African presidencies considered regional security as a priority, and the Durban summit also addressed development issues, including infrastructure development, and regional integration (BRICS 2013).

BRICS effectiveness is based on its ability to deliver on the commitments made by the leaders. In this regard, compliance performance is a good effectiveness indicator. The average BRICS compliance score derived from the 2011–2013 Compliance Reports data equals 0.41 (see Table 3). However, it should be noted that compliance data is available for only three summits and the results were mixed, which precludes assessment of compliance dynamics. The average compliance score was substantially higher for Sanya and Durban summit commitments (0.48 for both of them), whereas the New Delhi summit figure was almost twice lower at 0.28.

What can be asserted is that with the growing number of commitments made by the BRICS leaders, their compliance performance has been improving. This can be explained by the development of institutional culture within BRICS, the growing need to address global challenges, members desire to strengthen the forum legitimacy and enhance returns on the investment made into building the institution. At the same time, the average level of compliance with the commitments made by BRICS leaders remains slightly lower than that of the G20 and substantially lower than the G8 figure.

Delivery on the commitments is considered to be higher in the areas constituting the core of the institutions' agenda. For BRICS, with its broad and vague agenda, only moderate success was achieved in almost all action areas examined in the

framework of compliance assessment, with the highest average scores on development (commitment to stimulate infrastructure investment and industrial development in Africa), energy (in particular, promoting clean technologies) and climate change (two commitments assessed were devoted to the Cancun Agreements). Delivery on macroeconomic policy and regional security commitments was a challenge with the average scores of 0.2 in both areas.

5 Conclusion: Link Between BRICS Institutionalization and Effectiveness

The role of BRICS in the system of global governance is strengthening, and its members realize the value of their cooperation to address common challenges. Analysis shows that the dynamics of BRICS cooperation institutionalization has been positive, and its speed has been high. Six years after the first meeting at the leaders level, BRICS has matured into an important global governance actor, established a number of new formats and mechanisms for cooperation among member states. The institutionalisation helped advance BRICS effectiveness, thus, the balance of global governance functions tilted towards decision-making and the number of commitments increased.

However, the impact of growing institutionalization on BRICS effectiveness as a global governance actor differs across policy areas. The economic, financial and trade issues as a whole constitute more than a half of the total BRICS discourse (see Table 1). The dialogue on economic and financial issues is strongly institutionalized. Financial and trade ministers meetings are held regularly and, although most of them are organized on the margins of other events, they often produce documents containing commitments. Compliance performance on trade and financial regulation is relatively high. The establishment of the New Development Bank and the BRICS Contingent Reserve Arrangement at the Fortaleza summit in 2014 was a major step towards further institutionalization of BRICS and a claim for growing effectiveness.

BRICS performance on economic agenda needs further consolidation. Leaders and ministers of the BRICS countries keep reiterating that the current situation in the global economy requires development of new models, principles and mechanisms to strengthen intra-BRICS economic cooperation and, thus, there is a need for BRICS countries to collaborate and build on the respective strengths of their economies. As BRICS trade ministers mentioned at their meeting in 2013, “this could be achieved by identifying complementarities in key growth sectors and to cooperate to build the industrial capacities of their respective economies. . .and advanced by further exchanges between industries, trade and investment promotion events and enhanced investment and technical cooperation” (BRICS trade ministers 2013). However, economic cooperation between BRICS member countries remains mainly bilateral, as each of them pursues its own national interests determined by domestic economic situation and traditional ties with other countries. To advance economic cooperation Russia initiated the process of drafting the BRICS Economic Cooperation Strategy after the summit in Durban. Simultaneously China proposed

the Framework of BRICS Closer Economic Partnership which partially duplicates the Strategy but also reflects some specific national priorities. Although in Fortaleza BRICS leaders instructed their Sherpas to advance discussions on integrating the two documents “with a view to submit their proposal for endorsement by the next BRICS Summit”, the debate is likely to stall until the views of all stakeholders are brought together into a common position (BRICS 2014). Thus, ‘institutionalisation’ or the process of developing a shared economic cooperation document may help push intra-BRICS cooperation.

BRICS dialogue on health has positive institutional dynamics. Members have launched regular cooperation at the ministerial level, adopted a number of documents and established specialized mechanisms and institutions to coordinate their work on health issues. Balance of global governance functions within BRICS discourse on health has been changing from primarily deliberation to decision-making, and its share in the total discourse has been steadily growing. However, commitments in this area are made mainly by ministers, while the leaders have not articulated any concrete decisions on health. Similarly to other areas, the implementation of the function of global governance development is limited to the expression of collective support towards other international organizations activities in the sphere and does not include delegation of mandates.

Despite regular meetings of national security advisors and consultations of foreign ministers on the margins of the UN General Assembly, the effectiveness of BRICS joint efforts to resolve regional conflicts, combat terrorism and ensure other aspects of global peace and security remains low. Relatively poor performance on the Durban summit commitment to assist the emergence of stable democratic Afghanistan supports this assertion. At the same time, along with the institutionalization of the format, BRICS foreign ministers continue consolidate their positions on political issues. Thus a strong stance against sanctions expressed at the foreign ministers meeting in The Hague in March 2013 and a large share of political and security problems in the Fortaleza summit discourse may contribute to increasing effectiveness of the political dialogue.

Some areas lag behind the overall rapid institutionalization of BRICS. For instance, unlike the abovementioned areas, development is a sphere where BRICS engagement is not strongly institutionalized. At the same time, compliance assessment for the decisions in this area made at three consecutive BRICS summits indicates that the members delivered well on their pledge to address development needs. The high compliance scores on the development commitments could be explained by two factors. First, South African presidency in 2013–2014 has strongly contributed to the BRICS debate on development issues, as the country is deeply committed to the continent development and regards BRICS as an important forum to achieve the goal. Second, BRICS countries are re-emerging donors and consider BRICS to be an important mechanism for coordinating their development support efforts, in particular in infrastructure investment, industrial development and poverty eradication in Africa. Moreover, some areas where dialogue within BRICS on ministerial or senior expert level has never been held demonstrate high effectiveness in terms of compliance performance. In particular,

this is the case for climate change and energy where average scores for three compliance cycles equal to 0.5 and 0.6 respectively (see Table 3). Thus, BRICS effectiveness understood as its ability to address global issues through implementing collectively agreed decisions and its correlation with the indicators of BRICS institutionalization differs across policy areas.

In some areas, like trade and anti-terrorism, regular meetings of relevant officials and the establishment of new intra-BRICS cooperation mechanisms are in line with a growing number of concrete decisions made and implemented. But in other areas, including, for instance, climate change and energy, low level of institutionalization does not lead to poor performance and effectiveness of the BRICS. Hence though important, institutionalization is only one of the factors impacting BRICS effectiveness. Solidarity of the leaders' positions on particular issues, their relevance for domestic agendas of member countries and the leaders' political will are the key drivers of the BRICS evolving cooperation and enhancing effectiveness.

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Participation of the European Union and the BRICS in the G20

Marek Rewizorski

Abstract

Amongst the examples of structures filling up the spectrum of relationships between states and non-state actors in global governance, one can distinguish informal forums of international co-operation. The core position amongst them is occupied by the G20. This chapter is devoted to the issue of participation of the European Union and the BRICS nations in the G20 summits. The question arises of what roles are designed for the EU institutions. The analysis is conducted under post-Lisbon legal order and uses principal-agent model. Attention is also drawn to the BRICS group as the leading emerging economies and political powers at the regional and international level extending their influence in the G20. This chapter highlights the increasing activity of emerging economies in the Group of Twenty and explores the possibility of developing co-ordinated positions by the BRICS members in the G20 summits.

1 Introduction

At the dawn of the twenty-first century, a majority of scholars, journalists, policy-makers, and representatives of civil society admitted that the traditional model of International Relations has proved insufficient for the recognition of a new, global political order, based largely on specialised institutions operating across the borders of states. The fundamental changes in the international system include: (1), the growing role of non-western countries clustered within the BRICS group (Brazil, Russia, India, China, South Africa) and the relative reinforcement of their ability to act politically in the international arena; (2), the increasing number of interactions

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among countries and their citizens, triggered by the revolution in communication technologies and the occurrence of cyberspace; (3), the increasing proneness of even the greatest powers and their citizens to cross-border threats, which have been triggered mainly by terrorism, diseases, and climate changes adversely affecting humans; (4), the development of global networks of connections playing the fundamental role in creating, developing, diffusing and implementing various norms, rules and regulations covering a growing number of new areas, from banking supervision to health protection policy. One of the centres of a global network structure being the forum for a dialogue between states and non-state entities in the sphere of global governance is the Group of Twenty (G20). The G20 network comprises crucial international institutions, such as NATO, APEC, G8, the Organisation of Islamic Cooperation, the Shanghai Cooperation Organisation, the IMF, the World Bank, the WTO and the OECD. The group (G20) itself gathers both economically-developed, democratic western countries, as well as the emerging powers which are gaining experience and influence in the international arena, plus the European Union (EU). Since November 2008, when 19 heads of government and a series of representatives of international organisations met in Washington DC, the Group of Twenty has become one of the pillars of the global economic governance (Cooper and Bradford 2010), further strengthening this position after the 2009 Summit in Pittsburgh. The G20 Leaders in November 2009 decided to give a new status to the G20 and declared it as “the premier forum for (...) international economic co-operation” (G20 2009: par. 19). This *passus* meant acknowledging the superiority of the G20 over G8. The Chinese delegation saw the shift in geo-political power as “conforming with the tide of history” (Sinclair 2009).

This emergence of a new steering group was almost immediately criticised by some researchers as “a symbolic move, since the rich countries control the institutions with actual power” and “...the G20 is still the G7 with 13 other countries sitting in” (Weisbrot 2009). Even if the invited nations were ‘sucked’ into the G20, as a thoroughly thought over long-term strategy, the industrialised countries were set on fending off calls for more fundamental change through more democratic forums like the United Nations (UN), the West must have noticed the parallel to the G20 Leaders’ emergence of a BRICS summitry process. The first summit of the BRIC group (back then Brazil, Russia, India, China) in 2009 in Yakaterinburg, and G20 Leaders in Pittsburgh, brought to life structures immediately hailed as innovative and participatory, almost unthinkable in the 1990s when the Group of Eight and the UN Security Council (UNSC) strove to play the roles of power structures in the real world. Russian Sherpa Vadim Lukov wrote “the establishment of the BRICS (...) has become one of the most significant geo-political events of the new century” (Lukov 2012). Referring to informal global institutions such as the G7 and the G77, which existed before the BRICS group, he noticed that “the BRICS group differs from them in a variety of ways that allow it to be defined as a global forum for a new generation” (Ibid. 2012). Taking into account the growing economic power of its member states, their demography, natural resources, combined gross domestic product (GDP), participating in the leading

international organisations and structures, common principles (openness, pragmatism, solidarity, mutual assistance, inclusiveness, non-confrontation), and common strategic interests of the G20, albeit designed by Western Countries, the G20 featured an unprecedented attempt by the BRICS countries “to extend their participation in key institutions of global governance” (Held 2010: 204). Andrew F. Cooper rightly observes that unlike the attempts to reform the G8 from the inside directed through the so-called Heiligendamm or Outreach 5 (O5), the G20 offered formal equality to the rising powers (Cooper 2014: 92). The BRICS members considered their elevated G20 Leaders’ position as a kind of confirmation of their status which they had gradually achieved during the experience reached through presiding in the G20 Finance Summits (India in 2002, China in 2005, South Africa in 2007, and Brazil in 2008).

The BRICS members in the G20 found a large presence of Europe (France, Germany, Great Britain and Italy—EU4) acting solo, as well as a part of the machinery of the EU, which, since 2009, has officially been an international organisation. The latter viewed the emergence of the G20 as the expression of multi-polarity and the shifting power dynamics in the international system. The EU and its member states began to treat the G20 as a new channel through which it can maintain high-level multilateral diplomatic relations with the emerging powers. The participation of the European Union, as a diplomatic actor, in the G20 is unique. The regional organisation, hanged between formal and informal input solutions, is participating in a forum where deliberation and negotiation is the domain of individual members rather than as (regional) blocs or constituencies as in the United Nations or the Bretton Woods institutions.

This chapter maps out the issue of participation of the European Union and the BRICS states in the G20. There are central questions arising, namely: what roles are designed for the EU institutions in the G20? Who represents the EU in the G20? What is the extent, for the non-G20 EU member states, of their involvement in the G20 meetings? This analysis is conducted on the underprincipal-agent model and the theory of the delegation, which show the vital role that the EU institutions play in the Group of Twenty (and the Group of Eight to some extent). The second part of this chapter will turn its attention to Brazil, Russia, India, China and South Africa as leading emerging economies and political powers at the regional and international level. Three main aspects underline the relevance of the members of BRICS as protagonists in development co-operation: (1), the outstanding size of their economies, (2), strong growth rates, leading to increasing significance in the world economy, and (3), the demand for a stronger political voice in international governance structures, which corresponds to their economic status. The main questions which arise here are, whether the G20 is large enough to allow for intricate coalition building, made of emerging markets? Are we witnessing the creation of the ‘BRICS Bloc’ in the G20? These questions seem to be more relevant than ever before, in the light of the Delhi Action Plan devised at the Fourth BRICS Summit in March 2012 in India, where the BRICS members committed themselves to co-ordinating their positions at G20 Summits.

2 The EU and Its Agents in the Light of the Principal-Agent Model

On the one hand the European Union's participation in the G20 and other Gx structures (G7/8) results from the powers transferred to its agents (after the Treaty of Lisbon—the European Commission, the rotating Council Presidency and the European Council); on the other hand, on the distrustful relationship between the European four (E4—France, Britain, Germany, Italy), and other EU countries, excluded from the deliberations conducted in these groupings.

The points of departure in the analysis of the EU participation in the G20 summits are the principal-agent model and the theory of delegation. They are derived from the theory of rational choice and are set to determine not only the reasons for the establishment of the delegation, but also to understand the political consequences arising from the maintenance of the principal-agent relationship (Dür and Elsig 2011: 329). The principal-agent model was originally elaborated in economics as a theoretical construct designed to explain the intra-corporational relations (Moe 1984). In general words, the principal enters into a contract with a contractor called the agent who is made responsible (delegated) for the execution of a number of tasks on his behalf. The principal can be recruited from individuals as well as the organisations that delegate responsibility to the other party. According to Mark A. Pollack, delegation is a matter of some plan or an institutional programme, fitting in a functionalist way of thinking (Pollack 1997: 102). Its creation or selection is the result of efforts to lower the costs of any transaction (Hall and Taylor 1996: 945–946). Among other benefits of delegation, there are: (1), solution to the problem of collective action (actors involved are trying to predict the benefits of long-term co-operation, and to make sure that the transaction costs resulted from monitoring compliance will not outweigh the benefits of the contract, and that compliance with the terms of the agreement will be ensured by all parties (Weingast and Marshall 1988); (2), the solution to the problem of 'incomplete contracting' (it arises in situations where the contract impacts heavily on the resulting long-term arrangements between the parties), perceived as complex, difficult to negotiate, and mutually beneficial only in conditions of stable contracting. In such cases, the parties frequently decide to waive the detailed and rigid provisions and only generally indicate objectives. The conclusion of such an agreement leads to the setting up of an agent, whose task will be to refine it if necessary (Pollack 1997: 104), (3), improving the quality of policies in areas requiring specialised knowledge possessed by an agent; (4), the transfer of responsibility for unpopular outside decisions; (5), a solution to the problem of instability in political decision-making related to the acquisition of the majority (Pollack 1997).

The principal-agent approach may be used to analyse the powers of transnational bodies representing the EU, such as the European Commission (referred here also as the Commission) in the G20. Andrew Moravcsik pointed out their role as "strong supranational institutions" (Moravcsik 1993: 507) and considered them as tools designed to increase the efficiency of the negotiations between the states. He rightly

noted that individual states, delegating powers to supranational institutions tend to reduce political risks inherently tied to any decision-making by qualified majority voting. For this reason, states determine their agendas, decision-making, as well as representation of their interests outside. According to Moravcsik, setting a programme (agenda) by the EU member states is particularly apparent in relation to the European Commission, because it provides technical and informational expertise necessary for decisions and acts as a neutral arbitrator, which provides measures for reducing the number of proposals submitted to a consideration (Moravcsik 1993: 511). Before the Treaty of Lisbon the European Commission represented the EU in G7/8 and G20, very often co-operating with smaller EU states trying to counterbalance the influence of the E4. Since 2009, the privileged position of the Commission has been challenged by the model of dual-representation and sharing its responsibilities with the European Council. Therefore, the 'supranational' character of the EU's participation in the G20 was balanced toward intra-governmentality.

2.1 The G20 Antecedences: Role of the Pre-Lisbon EU in the G7/8

The understanding of the EU's participation in the G20 requires not only taking into account the role of its institutions, but recalling the historical and political contexts of the Gx structures evolution. Between 1975 and 1977, the European Community (EC)¹ states, excluded from participation in the G7/8, called for immediate accession of the European Communities to this group, fearing of a loss of their position in relation to countries of the E4. This argument had been rehearsed by Luxembourg Prime Minister Gaston Thorn, who indicated that the top European powers did not have sufficient legitimacy to act in the character of ambassadors of the European Communities (Bonvicini and Wessels 1984: 184). Despite strident opposition from France, Germany and the United Kingdom, EC obtained membership to the G7/8 (1977). The key role in the mediation was played by the European Commission and the European Parliament. The concord of the solution held, in that the Community would be represented by two institutions, who shared among themselves the tasks depending on their powers. These institutions were steered by the President of the European Commission and the President of the Council (Hainsworth 1990: 18).

Despite the initially difficult situation of the EC in G7/8, the European Commission utilised a broad base of intellectual and diplomatic experience and in a short time managed to strengthen its position in the group, reaching beyond the original intentions of the principals. In 1978 the Commission had been invited to the G8 summit with competences restricted only to economic issues. Three years later this

¹ The European Communities known also as the European Community or EC, were three international organisations that were governed by the same set of institutions. In 1993 the Communities were incorporated into the European Union, and they became its first pillar. After entering into force the Treaty of Lisbon in 2009, EC was dissolved into the European Union, becoming the legal successor to the Community.

institution participated in all meetings without the constraints arising from the rigidly assigned permissions, as before (Huigens and Niemann 2012: 100–111). Peter Debaere indicated that, in 1987, the Commission was able to draw for the first time on a detailed working paper dealing with the issue of sub-Saharan African debt (which was recalled in 2005 when the Commission in the G8 summit at Gleneagles, together with the UK, the Scandinavian countries, the Netherlands and Luxembourg pushed for an ambitious, proactive approach for development purposes). A few years later, the Commission co-ordinated Western aid to Central and Eastern European Countries after the collapse of communism (Debaere et al. 2014). Between 1977 and 1999, the European Commission has become ‘the voice of the EU’ in the G7/8 and its ‘spokesperson’—able to present the EU’s agenda in the broad context, which the Council had failed to make. The latter institution’s participation in the G7/8 (and therefore also the other members of the EC) was illusory, because in each case the summits of the group were held at the time of the presidency held by one of the E4. It suffices to say that from 1977 to 2008, 21 out of 23 summits of the Group of Eight coincided with the Presidency of the Council held by the ‘big four’ (Rewizorski 2013: 84). It is not surprising, therefore, that less influential European states often united forces with the Commission. In 1999, when the G20 Finance (forum for finance ministers and central bank governors for the G20 countries) was called into life, the position of the Commission as a ‘diplomatic arm of the EU’ was beyond doubt. Contrary to G7/8, the EU in the G20 Finance was granted official membership from the start. Officially rotating Council Presidency and the President of the European Central Bank represented the EU, while the European Commission was designed as a ‘technical support’. However, with the flow of time it has shown its effectiveness in diplomatic footwork. As a result, the Commission had become an integral part of the EU delegation at all levels in the G20.

2.2 Institutions Matter: The EU in the G20 Leaders’ Summits

The status and the mode of representation of the EU in the G20 altered between 2008 and 2009. The G20 had been upgraded to the level of heads of state and government (G20 Leaders’) and the EU had become the international organisation thanks to the implementation of the Treaty of Lisbon (1.12.2009). At the level of finance ministers and central bank governors, the EU has been represented by the Council, the European Commission and the European Central Bank. At the leaders’ level, the rotating Council Presidency and the European Bank were disposed from their positions and replaced by the European Commission and the European Council (See Table 1.)

The stronger position in the G20 leaders’ summits was achieved by the European Commission. Peter Dabaere, Ferdi De Ville, Jan Orbie, Brengt Saegen and Joren Verschaeve, in their study devoted to the evolution of EU membership in major International Organisations (Debaere et al. 2014: 47), indicate that including the European Commission as a firm and stable ‘diplomatic arm’ of the EU was caused

Table 1 The European union representation in the G20 after the treaty of Lisbon

Level/forum	G20
Heads of state and government/ leaders	The president of the European Council The president of the European Commission
Sherpa	Sherpa from the president of the European Council cabinet
Sous-sherpa	High-ranked European Commission official
Finance Ministers	Commissioner for Economic and Monetary affairs President of the European Central Bank Finance Minister of the rotating Council Presidency
Ministerial and other high-level meetings (except for Finance) G20 Agriculture G20 Labour & Employment	Agriculture minister from rotating Council Presidency and European Commissioner Labour & Employment minister from rotating Council Presidency and European Commissioner
Working Groups	European Commission official Official from rotating Council Presidency

Source Own elaboration

by at least two reasons. The first of them was entrusting to the European Commission, by the EU states, the role of the anti-crisis economic recovery initiator and co-ordinator. The second was the demand for high-level expertise in the area of the regulation of financial markets sought after by the G20 and ‘putting a hand’, by the European Union, on proposing and monitoring the legal framework in financial services (Quaglia 2010), thanks to the distribution of competences within the EU and thus increasing its role in a new, crucial area of the G20 governance.

The European Commission (and therefore the EU) participates in the G20 in two ways. The first is visible in the Commission’s perseverance in reaching its strategic interests in the G20, namely in introducing new legislation in the casual group’s agenda such items as: regulating credit rating agencies, tax havens, non-protectionism (trade liberalisation) and competition policy. These last two fall under the Commission’s exclusive competencies, thus they are considered as matters of significant consideration by this supranational institution. This observation may lead to a hypothesis that, depending on whether a particular subject of deliberation within the G20 falls into exclusive, shared or state’s competencies, the European Commission’s actions show differing degrees of independence from the EU members’ interests. In other words, in some cases the European Commission pushes for reaching its own policy objectives, drifting away from the interests of the EU members states. The second indicator of the Commission’s participation in the G20 was elaborated by Peter Debaere, who noticed a certain bias in behaviour of the European Commission toward the E4 countries, sort of a ‘broken promise’ to the previously allied medium and small EU members within this institution. In one of his works, Debaere argues that the Commission leans toward the European powers to secure its political role in a club dominated by the 19 strongest economies (Debaere 2010: 147). The example of strategic consideration of the European Commission is the G20’s decision on tax havens at the London summit.

Leaders of the G20 greed in London to take sanctions against tax havens, using the OECD list as its basis. In their communiqué, they agreed “to take action against non-co-operative jurisdictions, including tax havens” (also called the ‘black list’) such as: Costa Rica, Malaysia, the Philippines, and Uruguay (Rewizorski 2014: 62), and a ‘grey list’ of countries that have committed to apply international tax standards, but have yet to implement them.² These two lists were published by the OECD before the London Summit (OECD 2009). Strangely, and apparently for political reasons, soon after London Summit the OECD has removed all four countries from its blacklist of tax havens. Also, newspapers around the world followed suit (as e.g. Canada’s *The Globe and Mail*) except for the Spanish *El País*, dated April 4th, 2009. On the same date the BBC quoted the statement of the OECD chief, Angel Gurría, who said that all four countries had agreed to adopt its regulations. As a result, none of the 84 countries and territories that the OECD monitors was on the blacklist any more (BBC News 2009). This case is interesting because the EU members—Belgium, Austria and Luxembourg appeared on the ‘grey list’ of the OECD. Before the London summit, the EU Commission supported the idea of producing a list of non-co-operative tax havens, and proposed to elaborate joint measures against them in its communication for the EU summit in March 2009 (EC 2009: 17). However, in April, the European Commission waived its position because of the pressure exerted by non-G20 European states who demanded the grey list should be “cleaned out” and should not include EU members. Fearing loss of its political standing in the G20, the European Commission shifted its stance and became a staunch advocate of the ‘clear & go’ option; therefore being derelict in its previous political objectives.

The political leaning of the European Commission toward the E4 countries has been limited, with the appearance of the European Council, whose president, appointed at least for two and a half years, is responsible for external representation of the European Union (also in the G8). Since 2010, the Presidents of the European Commission and the European Council agreed to share duties, where the President of the European Council took foreign policy and security matters, and the President of the European Commission secured the majority of the leftovers, obtaining the right to speak in these topics on behalf of the EU. Some matters overlapped, such as energy and economy (Debaere 2010: 148) what may, in the future, lead to frictions between the European Council and the European Commission.

Intrastitutional co-operation is necessary for the European Union to effectively participate in the G20, at least for two reasons. The first draws from the fact that both institutions prepare the collective EU’s stance before the G20 summits, known as ‘agreed language’. To put it simply, the early, drafted proposal of an informal set

² Austria, Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Belgium, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Guernsey, the Isle of Man, Jersey, Liberia, Luxembourg, Liechtenstein, Malta, the Marshall Islands, Mauritius, Monaco, Monserrat, Nauru, the Netherlands Antilles, Niue, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Samoa, San Marino, the Seychelles, the Turks and Caicos Islands, the US Virgin Islands, Vanuatu.

of best practices to co-ordinate the positions of its member states for the G20 is prepared by the European Commission and the rotating Council Presidency. The latter turns the document to its various working committees. In the next stage, the document is steered to the Economic and Financial Affairs Council (ECOFIN) to gain approval from the 28 EU finance and economy ministers. Finally, all 28 heads of state and government adopt the document as an ‘agreed language for the G20 Summit’. The key role is reserved by the European Council and the European Commission, which by involving the non-G20 EU member states at the highest political level of the Union, gain more legitimacy.

Effective co-operation between the EU Council and the European Commission is also necessary because the EU wants to strengthen its diplomatic role within the G20. The EU focuses on bargaining and arguing. Bargaining refers to the maximisation of interests without the intention to alter its preferences. Ole Elgstrom and Christer Jönsson indicate that bargaining can be viewed as a typical approach to negotiation in highly-politicised arenas which involve a transfer of resources from some actors to others (Elgstrom and Jönsson 2000: 701). The EU is acting here as ‘facilitator’ engaging in associational, collaborative, and coalitional activities to lead an initiated proposal to a concrete agenda-setting process. The Union provides entrepreneurial and technical leadership by directing co-operation and coalition-building with like-minded states (Cooper 1997: 9). Thanks to its diplomatic maneuverability of the European Commission and the high-profile of the European Council, may utilise creativity in the form of ‘quick and thoughtful diplomatic footwork’ as an intellectual entrepreneur, that skillfully brokers the overlapping interests of parties concerned with an issue (Young 1989: 373). Its ‘edge in brokering’ results from having a number of horizontal ties with states, as well as skillfully exposing its character as the regional international organization, having a large amount of ‘soft power’ at its disposal. The above-mentioned example of financial deliberation in the G20 can serve as example of the EU’s bargaining approach and its flexibility. Protests against agreement to attach to the OECD—grey list, three EU member states, (Belgium, Austria and Luxembourg), pushed the EU (mostly the European Commission) to defend non-G20 EU states, fearing of the loss of its political significance and accusations of ‘betrayal’ of smaller European states. Peter Debaere indicates that this case led to the development, by the EU, of a fairly extensive, informal co-ordination process for the G20s within the financial and economic agenda, which allows the non-G20 EU member states to provide input and to voice their concerns (Debaere 2015: 120–137).

3 BRICS: New Kids on the Block

Contrary to European powers and its regional gathering (the EU), a cradle of a ‘western wing’ of global governance, both G20 Finance and the G20 Leaders have been populated by large developing economies, captured and popularised in the ‘BRIC’ acronym by Goldman Sachs analyst Jim O’Neil in his paper of 2001

Table 2 The evolution of the BRICS group

When	What happened
1989	Brazil end military rule and puts in place ‘shock therapy’ to counter hyper-inflation and boost privatisation
1991	India introduces economic reforms, ending the ‘Licence Raj’
1998	A financial meltdown in Russia. China remains unscathed
1999	Russia prepares a strategy to rebuild its economic position
2001	A Goldman Sachs report predicts the rapid rise of the BRIC in the next 50 years, China joins the WTO
2006	The Dow Jones introduces the BRIC 50 Index made up of the 50 largest companies listed on the stock exchanges of Brazil, Russia, India and China. The BRIC foreign ministers hold informal meeting in NY as a sideline to the UN 61st General Assembly
2007	China officially becomes third-largest economy of the world. It overtakes Germany
2009	The BRIC leaders hold their first summit in Russia calling for a more democratic and multi-polar world. The developed countries agreed to increase the BRIC’s quota and vote share at the IMF and the World Bank
2010	The second BRIC summit. The group calls for UN reforms. China becomes the second-largest economy. The BRIC constitutes approx. 25 % of the world’s economic activities and over 30 % of the world’s GDP. South Africa joins the BRIC, thus it becomes the BRICS.

Source Blake Hounshell 2011. ‘BRICs: A Shirt Story. How did a Wall Street buzzword coined by Goldman Sachs become a powerful new bloc in world affairs?’. *Foreign Policy*, February 21, 2011 <http://foreignpolicy.com/2011/02/21/brics-a-short-history/>, accessed on 10.01.2015

(O’Neill 2001).³ When South Africa was invited by China to become the fifth member of the group in 2010, the process of institutionalisation of the group accelerated, and (the) BRICS (or BRICs) began to be perceived as a real and alternative power, which the West should reckon with.

It is worth noting that a broad debate concerning all the BRICS group had been opened when these countries embarked on a course of fundamental reforms during the 1980s and 1990s that transformed their economies and succeeded in boosting growth, largely by fomenting greater private-sector activity. Economic and/or political crises acted as a crucial catalyst for reform by allowing political leaders to push through important reforms. It was a combination of economic reforms aimed at ‘more market’ and ‘less state’ that helped lift growth. Below, Table 2 highlights the development of the BRICS since the end of the 1980s to the inclusion of South Africa as “the fifth element” (2010).

³ J. O’Neill, *Building Better Global Economic BRICs*, Global Economics Paper 66, 30 November 2001. See also the BRICs Dream: Web Tour; http://www2.goldmansachs.com/brics/brics_intro.html. It is worth noting that the concept of the BRICS group dates back to the first half of the 1990s as the immediate consequence of the end of bipolarity. For example, in Russia, former Foreign Minister of the Russian Federation, Yevgeni Primakov, in 1996, presented a doctrine of multi-polarity. He focused on reviving cordial relationships with India, developing friendly relationships with China and proposed establishing a tripod centre of economic co-operation (Russia–India–China) as an alternative to the European/Western expansion after the Cold War. See. Y. Primakov (1996), pp. 3–13.

Table 3 Overview of the BRICS economies (1990 and 2010)

Country	Rank in world.	GDP (PPP bn).	GDP (\$ bn)		Share in World GDP (%)		Per capita GDP (\$)	
			1990	2010	1990	2010	1990	2010
Brazil.	8	2,172	508	2,090	3.3	2.9	3,464	10,816
Russia.	6	2,223	–	1,465	–	3	–	10,437
India.	4	4,060	326	1,538	5.1	5.4	378	1,265
China.	2	10,086	390	5,878	3.9	13.6	341	4,382
South Africa.	26	524	112	357	0.9	0.7	5,456	7,158

Source S. P. Singh, M. Dube. 2014. *The BRICS and the World Order: A Beginner's Guide*. http://www.researchgate.net/publication/258959678_BRICS_and_the_World_Order_A_Beginner%27s_Guide, accessed on 10.01.2015

It should be noted that starting with a share of a little over 10 % in world gross domestic product (GDP) and less than 4 % in world trade in 1990, the BRICS group (with the recent inclusion of South Africa to the forum) now constitutes about 25 % of the world's GDP and 15 % of the world's trade. In 2010, four of the five BRICS members were among the top ten largest economies in the world (Table 3).

As in the case of their share in the world's GDP, the BRICS group's share in world trade has also improved significantly over the last two decades, from 3.6 % to over 15 %. The primary contribution to this in terms of value has come from China; however, other BRICS countries have also contributed (Fig. 1).

Looking at the emerging dynamics of the BRICS economy and trade since 1990, Goldman Sachs predictions about top-notch prominence of these states finds justification. Of course economic power not always translate into influence in international politics but the BRICS has already been able to transform economic capacity into political influence (Haibin 2012: 1), despite the fact that the coherence and the quality of this influence is still relatively low. All the BRICS countries are now members of major international and multilateral institutions, such as the World Trade Organisation, the UN, G20 and the UN Framework Convention on Climate Change, and are very active participants therein. In the WTO, the nations of BRICS (mostly Brazil, India and South Africa) created the agriculture coalition, supporting collective solutions discussed during the Doha Round (Draper 2012). Keeping its interests, the group declared an open world economy with an efficient allocation of resources, the free flow of goods, and fair and orderly competition. An example of such commitments can be easily found in each of the BRICS's summits documents. In the sixth BRICS summit, held in Fortaleza, Brazil (July 15, 2014) the BRICS committed to "support for an open, inclusive, non-discriminatory, transparent and rule-based multilateral trading system, (. . .) the successful conclusion of the Doha Round of the World Trade Organisation (WTO), following the positive results of the Ninth Ministerial Conference (MC9), held in Bali, Indonesia, in December 2013" (BRICS 2014a: par. 21). Under a new WTO Director-General, Roberto Azevêdo of Brazil, who has been in office since 1st September 2013, the BRICS group's interests can be better heard than before. The success in designing a

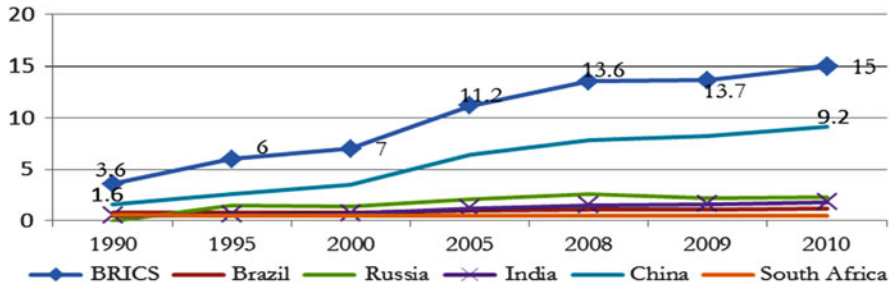


Fig. 1 BRICS share of world trade (%) 1990–2010 (Source The BRICS Report 2012, India: Oxford University Press 2012)

candidate from the BRICS's members can in the long run consolidate the positive perception of a group, enhance its position in global affairs and bring about fulfilling a desire of the members of BRICS to see a reform of global economic governance, to give them a greater voice and increased representation. This 'voice and vote' reform in fact had already started a few years ago, but is creeping and time-consuming. Two sides—the West and the BRICS group treat it as a 'swap area', where the political significance of the emerging powers is traded for capital needed to capitalise western institutions. In June 2012, at G20 summit in Mexico, the BRICS countries pledged large amounts to the IMF firewall fund designed for preventing the contagion of the Eurozone crisis into the global market. China pledged \$43 bn, Brazil and Russia each pledged \$10 bn, and South Africa \$2 bn (Fin24 2012). This contribution of the BRICS group was considered as 'investment', in return for reform of quota shares and voting power in the IMF and the WTO. The BRIC(s) expectations have been awoken in 2008 when the former management of the IMF, led by Dominique Strauss-Kahn, started to perceive the global ambitions of emerging markets as a chance to carry out financial reforms, aimed at giving the institution an independent source of income. However, everything has its price. Financial reforms were matched with governance reforms, the latter aimed at enhancing the credibility and legitimacy of the institution by giving more voice to emerging and developing countries. Taking the power back by emerging economies was started in April 2008. In 2009, the developing members of G20 had begun to crumble the seniority rule of the economic Triad (USA, EU and Japan) and its auxiliaries. China, India, Russia and Brazil's IMF quota shares increased from 3.996 %, 2.442 %, 2.494 %, 1.783 % in 2008 to 6.394 %, 2.751 %, 2.706 % and 2.316 % respectively (Haibin 2012: 5). Ngaire Woods gave a clear account of these gains, admitting that the largest 'winners' from the reforms were China, India, Brazil, South Korea, Singapore, Turkey, Mexico, but still, from their perspective, the changes were small (Woods 2010: 56). 'Voice and vote' reform was hard won and took endless negotiating among the G7 powers. It should be noted that the emerging economies considered the reforms started in 2008 as a beginning and demanded more substantial changes in the power shift, showing their role as creditors of the world's economy. The criticisms by BRICS members

concerned, that Europe, in particular, is over-represented in terms of the weighted-voting power and the number of representatives on the Executive Board, but no country has been prepared to surrender its privileged position. After long debates, the ministers of finance and the central bank governors met on 23rd October 2010 in Gyeongju, South Korea, to prepare an agenda for the G20 Summit in Seoul on 11th November. The states reached an agreement on a set of institutional reform proposals that follow up on the arrangements of the 2009 G20 Summit in Pittsburgh and London.⁴ These included: (1), an over 6 % quota shift to under-represented countries (while protecting the voting share of the poorest), which means a shift of balance in the weighted-voting system towards Brazil, China, India and Russia, to be formally accomplished by the IMF-World Bank Annual Meeting in October 2012; (2), enhancing the representation of emerging and developing economies through a comprehensive review of weighted-voting by January 2013, and a subsequent review of quotas by January 2014; (3), the surrender of two European chairs to under-represented states and possibly a second alternate for all multi-country constituencies; (4), the introduction of an all-elected Board, along with the states' commitment to maintain its 24-seat composition; (5), following the 14th General Review, prolongation of the Board's term from 2 to 8 years (Menkes 2010: 379). Moreover, during the 2013 G20 summit in St. Petersburg, Russia, the leaders of the BRICS agreed to create a \$100 bn pool of currency reserves in order to ease short-term liquidity pressure and safeguard the stability of emerging economies (Xing 2014: 13). This decision was further developed in the sixth BRICS Summit held in Fortaleza. Members of the BRICS group concluded their *Treaty for the Establishment of a BRICS Contingent Reserve Arrangement (CRA)*, with the initial total committed resources of \$ 100 bn (China—USD 41 billion, Brazil—USD 18 billion, Russia—USD 18 billion, India—USD 18 billion), designed as “a self-managed contingent reserve arrangement to forestall short-term balance of payments pressures, provide mutual support and further strengthen financial stability” (BRICS 2014b). During the same meeting, the BRICS members concluded *Agreement on the New Development Bank* (with an initial capital of \$100bn), as a tool for financing infrastructure and sustainable development projects in the BRICS's nations and other emerging economies and developing countries (BRICS 2014c). The formation of the BRICS Development Bank—if effective—may constitute a big challenge for the important structures of global governance, i.e. the IMF and the World Bank. It must be recognised that this initiative is very ambitious and far beyond the existing forms of capital impact of the BRICS states on developing countries.

⁴At the G20 summit in London, member countries decided on pursuing a huge financial programme aimed at restoring credit, growth and jobs in the world economy. They pledged to supply an additional USD 1.1 trillion to such institutions as the IMF (USD 500 billion in new resources available for lending plus USD 250 billion for new SDR allocation), and multilateral development banks (USD 100 billion for emerging markets and developing countries plus USD 250 billion to support trade finance). These resources, according to the G20 decision, were made available through more flexible mechanisms to countries in need.

4 BRICS in the G20?

The rising political influence of the BRICS group is visible not only in increasing institutionalisation, forged during summits of the group, but also the G20 summits. The relationship between the G20 and the BRICS summitry process is evident as the five emerging powers produce documents which express their collective stance towards the results of the G20's deliberations. In one of them, discussed during the Informal Meeting of the BRICS's Leaders on the occasion of the G20 summit in Brisbane (November 15, 2014), leaders from emerging countries exchanged their views and shared their perspectives on the main issues on the G20 Summit agenda, as well as the expected outcomes. Among a variety of issues discussed (e.g. measures to promote growth and job creation; investment and infrastructure; trade; strengthening of the financial system and co-operation on tax matters; and energy issues); they criticised the G20 efforts regarding supporting global demand in the short-run, especially by advanced economies, non-implementation of the 2010 IMF reforms, agreed in 2009, and its negative impact on the Fund's legitimacy and credibility. Due to the United States not ratifying the reforms, they called on the G20 to schedule a discussion of the options for the next steps that the IMF has committed to present in January 2015 (BRICS 2015).

The G20 is a recurring theme in the BRICS discourse. Marina Larionova and Andrei Shelepov underlined that while "the UN is the most frequently mentioned institution in the BRICS's documents (22 % of all references in 2008–2014 of the BRICS's documents), the G20 comes second with almost 13 % of all references in the BRICS's documents".⁵ The BRICS members support the G20 as a premier global economic co-operation forum, but also co-ordinate their positions on the G20 priorities. The first systemic steps toward bringing closer the stances of the BRICS countries in the group were observable in the Delhi Action Plan devised at the Fourth BRICS Summit in March 2012 in India, where members of that group committed themselves to co-ordinating their positions at G20 Summits (BRICS 2012). In the Delhi Declaration they stressed "We approach the next G20 Summit in Mexico with a commitment to work with the Presidency, all members and the international community to achieve positive results, consistent with national policy frameworks, to ensure strong, sustainable and balanced growth" (BRICS 2012), but also in the Delhi Action Plan declared "Meetings of Finance Ministers and Central Bank Governors on sidelines of G20 meetings/other multilateral (WB/IMF) meetings, meetings of the BRICS's Trade Ministers on the margins of multilateral events, or stand-alone meetings, as required (...) meetings of the BRICS's Ministers of Agriculture (...) the BRICS's High Representatives responsible for national security (...) the BRICS's Health Ministers, as well as a mid-term meeting of Sous-Sherpas and Sherpas" (BRICS 2012). In line with these alignments, before the G20 Summit in Brisbane, the BRICS's leaders met to "reach agreements on the main issues on the agenda of the G20 Summit" (Korablinov 2014) and address

⁵ See chapter "The BRICS in the Global Order: A New Political Agenda?."

international issues, such as the intensification of the interaction between the BRICS countries in the settlement of regional conflicts, issues relating to the non-proliferation of weapons of mass destruction, counter-terrorism, the drug threat, and international information security (Ibid. 2014). The BRICS's leaders also decided to meet on the sidelines of a G20 summit in Brisbane, where they took on issues of forging a strategy of co-operating within the framework of the G20, accelerating global economic growth and reiterated demands for IMF reform (TECH 2014).

Despite these and earlier efforts, the BRICS members' capacity to co-ordinate their positions during the G20 Summits has been mixed. In some cases co-operation was possible, especially on the necessity to increase their weight in international financial institutions. Acting as more or less a united bloc, BRICS members reached a significant success, increasing the emergence economies' power on the Financial Stability Board and the Basel Committee (De Freitas and Mendes 2010). In 2010, the year of the G8/G20 Dual-Summits in Canada and a further G20 Summit in South Korea, BRICS perseverance led to signing an agreement on a quota shift in the IMF by more than 6 % in favour of the large emerging countries and the G20 consensus on reforming the composition of the IMF Executive Board. In Toronto the members of BRICS, acting jointly, opposed the banking tax, the idea strongly supported by virtually all members of the G7 except for Canada, considering 'one size fits for all' as a bad solution. This issue became a bone of contention between 'Canada + the BRICS coalition' who stressed that their banks had not been at the root of the financial crisis and should therefore not be 'hurt' and the EU states striving to rescue their budgets by increasing their tax revenues (Gnath and Schmucker 2012). Before the summit, the EU noticed that Canada sought support from the emerging G20 members led by China and Indonesia. Ottawa was trying to convince them that a unified tax regime does not fit all and by giving way to that solution, emerging countries will have to pay for 'western' banks, which had failed at home. Observing the dialogue between Canada and the emerging markets, the Europeans began to fear that introducing such a tax in the EU may be de facto detrimental for the European economy (Wouters et al. 2012: 10). The above-mentioned clash of interests between the BRICS nations and the EU is worth recalling as it is one of a very few examples of the heterogeneous emerging powers to speak with one voice.

More frequently, however, the members of BRICS were not able to align their positions and clashed on many occasions. Looking at their involvement in the G20 process since 2008, it becomes clear that they act as individual agenda setters focusing on a diverse set of interests. While Brazil supports liberalising agricultural trade, Russia and India oppose the financial transaction tax, and China defends its monetary policy. The example of severe differences between the members of BRICS is the 'currency war', which divided not only the US and China during the G20 Seoul Summit, but also China and Brazil.

Despite increasing institutionalisation of the group, producing documents which express their collective stance towards the results of G20 deliberation, and occasionally uniting in order to achieve, or more often, oppose certain solutions, the

BRICS members in the G20 Summits are far from acting as a bloc or coalition of like-minded, closely co-operating states. According to Robert O. Keohane, “co-operation occurs when actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination” (Keohane 1984: 51). In other words, the precondition for intergovernmental co-operation is regarding the following of the policies by one government as facilitating realisation of political objectives by its partners. Despite BRICS members slowly institutionalising their co-operation within its grouping, they are unable to uphold a firm and stable collective position in the G20. The subsequent summits show that the emerging powers still lack the strength to shift the agenda of the G20 to focus on uneven global development, but they have become more and more efficient as veto casters. Thus, the nations of BRICS are likely to become ‘veto powers’ in the G20, multilateral co-operation forum which keeps “the emerging powers tied to the core economic and financial institutions of existing [Western—M.R.] order” (Hongyu and Xing 2014: 117).

5 Conclusions

One of the centres of a global network structure being the forum for a dialogue between states and non-state entities in the sphere of global governance is the Group of Twenty (G20). The global network, with G20 in the centre, comprises important international institutions such as NATO, G7/8, Organisation of Islamic Cooperation, Shanghai Cooperation Organisation, International Monetary Fund (IMF), the World Bank, World Trade Organisation, Organisation of Economic Cooperation and Development. The Group of Twenty itself includes economically developed, democratic Western countries, the European Union and emerging powers with the BRICS group in the forefront. In addition, both the West and non-western G20 members are participants in other minor regional networks. Therefore, being involved in various arrangements, individual countries constitute a liaison between the global and the regional. In other words, each country which is active in the regional network, a member of which is additionally at least one of the G20 members, is automatically included within the framework of functioning of a global network supported by this group, even if it is not a member or even ad hoc participant of this club.

The European Union participates in G20, similarly to the remaining Gx system structures, through its institutions, the European Commission and the European Council. Especially the first one of the mentioned institutions, operating as an agent of the Member States, has a significant autonomy in creating the European image in the group. Since 2010 the European Commission has been focusing on the economic and financial issues, while the European Council on the security issues. We may suspect that the effectiveness of the inter-institutional cooperation will to a great extent influence the EU position in G20, and will consolidate or weaken the diplomatic role which the EU intends to play in the group. The EU impact may be also negatively affected by the divergent interests of the E4 countries and the

remaining Member States fearing a relative decline of its position. The allegations of the emerging powers that Europe is overrepresented in G20 are also of some importance.

The BRICS group on the other hand, despite increasing institutionalisation and more and more frequently occurring attempts to coordinate positions, will not constitute a block of countries speaking with one voice in G20 either currently or in the near future. Differences of interest seem to be too deep. Despite occasional coordination of positions and forcing reforms on the western G20 members, in particular international financial institutions, at the moment we can hardly speak of a common agenda of the emerging powers. What is interesting, the BRICS members, while rejecting the ‘western’ vision of a global order participate in its centre—G20—referred to since the summit of leaders in Pittsburgh as “the premier forum for (. . .) international economic co-operation” (G20 2009: par. 19). Denying the liberal nature of global governance and aiming at its transformation, they are becoming a heterogenic group of “veto powers” which are capable of occasional uniting in their resistance against the “G7 world”, but not necessarily of proposing something new. In this respect, they are deconstructing the existing international reality from within in a way, which the western countries, European in particular, relatively weakened in economic and political terms, are not able to prevent.

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Part II

The European Union and the BRICS: Power Relations in the Era of Global Governance

Russia, China and the EU: Power Relations in a Complex International System

Maria Raquel Freire

Abstract

This chapter addresses the complexity of relations between Russia, China and the European Union (EU), in the broader context where these take place—the ‘shared neighbourhoods’ space and political, economic and security dynamics with a focus on energy. These three big players pursue cooperation and competitive policies, and the way in which they inter-relate and not only define but empower policies and practices affects the balance of power between them. This chapter analyses the dynamics associated to Russia, EU and China relations from the perspective of Russian foreign policy, with a focus on energy issues and how these have created (inter)dependencies crossing the geographical area where these actors are present. The chapter argues energy has been a game-changer in relations among these actors, both empowering and obstructing the conduct of policies, at the bilateral level and in multilateral contexts. The internal/external inter-linkages shaping relations demonstrate duality in policies, either fostering cooperative dynamics or contributing to competition. From these interactions selective balancing has been a common trend, allowing power shifts and adjustments in a changing international system.

1 Introduction

This chapter addresses the complexity of relations between Russia, China and the European Union (EU), in the broader context where these take place—the ‘shared neighbourhoods’ space and political, economic and security dynamics with a focus on energy. These three big players pursue cooperation and competitive policies, and the way in which they inter-relate and not only define but empower policies and

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practices affects the balance of power between them. The policy framings where policies are constructed are different in each of these cases, by their own nature or political regime, development model or approach to international order, constituting a challenge in the delineation of courses of action. This chapter analyses the dynamics associated to Russia, EU and China relations from the perspective of Russian foreign policy, with a focus on energy issues and how these have created (inter)dependencies crossing the geographical area where these actors are present. The analysis takes into account what it understands as acceleration tendencies motivated by the Ukrainian crisis. The paper argues energy has been a game-changer in relations among these actors, both empowering and obstructing the conduct of policies, at the bilateral level and in multilateral contexts. Is energy as a game-changer reverting asymmetric (inter)dependencies? Independently of being used on the basis of coercive means or cooperative agreements, is energy loosing leverage in Russian foreign policy, with Ukraine reinforcing this reading? The internal/external inter-linkages shaping relations demonstrate duality in policies, either fostering cooperative dynamics or contributing to competition. From these interactions selective balancing has been a common trend, allowing power shifts and adjustments in a changing international system. Whether this change has been also a normative change in the framing of these relations is also object of analysis.

In seeking answers to these questions, the chapter starts from the analysis of Russian foreign policy in the inter-relation of domestic and external factors, to understand the framing that outlines relations with the EU and China. It looks into the main lines of Russian foreign policy and the relations it has been developing with these two actors the context of its multi-vectorial policies, to then analyse the east–west balancing and how it has been promoting both cooperative and competitive dynamics in these relations. Looking into energy issues the chapter seeks to illustrate the complexity of the processes underlining the asymmetrical selective balancing taking place among Russia, EU and China, by (1) discussing energy as a game-changer in the foreign policy relations of these three actors; (2) unpacking the consequences of the Ukrainian crisis for these relations, following the understanding that Ukraine became an accelerator element in terms of the redesign of relations; and (3) framing this triangular relationship in multilateral forums where policies of cooperation and competition are defined and pursued, bringing to light hegemonic underpinnings (or their perception), as well as normative considerations, that assist in understanding the complexity of EU-Russia-China relations and the new configurations these have been assuming in the current fast-changing context.

2 Russian Foreign Policy: In-Between East and West

Russian foreign policy has been developing as multi-vectorial, meaning that it is organized around geostrategic vectors that reflect Russian priorities in terms of its external action. After the initial years of the 1990s where the adjustment to the

post-Cold War context was still taking place, the multi-vectorial formula consolidated, accommodating diversity in a unified approach. This sought to maintain a balance in terms of options and priorities, looking both westwards and eastwards. In fact, since the mid-1990s the main foreign policy documents of the Russian Federation consolidate this approach to external affairs, with the Commonwealth of Independent States (CIS) being identified as the priority area of actuation and influence; followed by a double inner-circle including relations with the west, understood as including the EU, the United States (US), NATO; and with the east, including relations with China and organizations such as the Shanghai Cooperation Organization (SCO). As outer-circles, though also of relevance for Russia's external relations, the Middle East, Africa and Latin America were devised.

“A priority area in Russia's foreign policy” (FPC 2000, 2008) is a common wording for relations within the CIS space, though it should be noted that relations taking place within this space are increasingly asymmetrical and heterogeneous. This means that despite the primacy conferred to the post-Soviet space in Russian foreign policy, Moscow has been finding many limitations to maintaining generalized influence in the area. The cases of Georgia and more recently Ukraine are clear examples, but also the independent policy Azerbaijan has been following or the increasingly reticent cooperative approach of Kazakhstan towards Russia, even if a member of the newly established Eurasian Economic Union, attest to the limits Moscow has been finding. This means the pursuit of fundamental goals has not been without difficulty for Russia, especially when objectives are not coincident. States confer primacy to national goals in the formulation of foreign policy, but are not immune to both domestic and external dynamics that hinder or foster their pursuit (see Saideman and Ayres 2007: 191). This means that despite the goals defined, foreign policy is adjustable to (un)favourable developments. The analysis of Russian foreign policy allows noting the shifts that have accompanied its newfound assertiveness at the international level and how these reflect Russia's understandings of itself. Resting on a pragmatic assessment of Russian possibilities and limits, Vladimir Putin conferred substance to the concept of a multi-vectorial policy, which has allowed a sense of continuity and stability to Russian external dealings by including the CIS as a priority area, as well as the Western and Asian dimensions, as mentioned. In this way Putin managed to combine distinct voices at home and to further project Russian national interest (Freire 2012). However, the effects of the Georgia war (2008) and more recently of the Ukrainian violence (from the fall of 2013) demonstrate that assertiveness on the basis of empowered domestic conditions is not a sufficient condition for the enactment of foreign policy goals. The domestic/international relationship plays therefore a fundamental role in the shaping and making of foreign policies, especially as it is at their very intersection.

Relations with the EU have been increasingly framed within a ‘greater Europe’ reading in Russia that aims at a more equal relationship between these two neighbours in the enlarged area that Europe represents. As for China, it has been framed both as an ally in the promotion of an alternative order and in strategic balancing towards the west; and as a competitor, particularly in economic terms.

Additionally, the way Russia is perceived in the EU and China varies. Whereas the perception within the EU has become increasingly critical about Russian politics and goals, with Ukraine exacerbating perceptions of power projection that might threaten the European established order; in China the perception is that Russia sees Europe as the space where it belongs and where it wants to return, “whilst the East for Russia is only for partnership” (Ferdinand 2007: 843). These different perspectives and perceptions are interesting for framing Russian policies in and towards these two fundamental vectors in its external relations.

Along with this multi-vectorial alignment of foreign policy, that has a strong geographical basis, there are issue areas that have been referred to in the main documents as constituting the basis for policy-building and implementation. These might be summarised in three main axis: first, the repositioning of Russia as a great power in the international system; second, a pragmatic reading of international relations on the basis of capacities-to-act; and third, a foreign policy sustained on the principles of sovereignty and non-intervention, and the reading of the international system as reflecting a polycentric order. Together, these readings and the policies that render them operational define Russian foreign policy in terms of its aims and the contexts where these are to be pursued. The instruments are varied and range from the promotion of regional integration projects, such as the Eurasian Economic Union or the Collective Security Treaty Organization; geoeconomic cooperative proposals, such as energy agreements, regarding supply and transit of energy; and more assertive means of competition, such as the use of embargos, sanctions or coercive force. In all, the overarching objective of affirmation of Russia as a major player in the international system constitutes the backbone where other goals, more precise in their geopolitical, strategic, security or economic definitions, develop. Framing Russian foreign policy within these lines contributes to a better understanding of policies and actions, consistent with both material and ideational dimensions of foreign policy, i.e., capacities and expectations, perceptions and recognition. The ideational dimension of foreign policy is fundamental to understand its complexity, as side-by-side with material capabilities, there are unquantifiable variables such as identity or status recognition that are also central to the definition of an actor’s policies choices, in the internal/external context where these take place.

One more note should be added, regarding the internal/external relationship where Russian foreign policy is shaped, developed and implemented. The main characterizing principles briefly outlined include a co-constitutive reading of this domestic/international relation in Russian politics. The goal of affirmation as a great power and its recognition as such in the international system works in a dual manner: on the one hand it capitalizes on nationalist principles at home strengthening internal politics through the mobilization of public support; and on the other hand, it signals the understanding of the international system as polycentric and where different actors play distinct roles. The relevance of stable domestic politics based on economic growth and political legitimacy constitutes for Russian leaders a fundamental underpinning for the promotion of politics abroad, meaning the internationalization of Russian goals. The domestic/international asymmetrical

relationship in Russian politics has, nevertheless, been evolving in the sense of conferring less weight to domestic politics and conferring more relevance to the external context where these take place. This is visible both in the formulation of the Foreign Policy Concept of 2013, as it is also in the more assertive posture of Russia, such as the most recent case of Ukraine illustrates. Also, the interactions resulting from these two levels of analysis in the combination of means and principles for policy projection might lead to their enactment or instead limit their reach, as further analysed in the chapter.

3 A Multi-vectorial Foreign Policy: Russian Relations with the EU and China

Developing a multi-vectorial foreign policy has revealed a win-win formula in Russian politics to the extent it has allowed it to manage difference and build on shared interests. Also, this alignment allows balancing dynamics following on policies of rapprochement, containment, bandwagoning, or distancing, revealing both cooperative and competitive dealings. These dynamics have applied to relations both with the EU and China, in different moments and concerning different issue-areas. This section will briefly map Russia relations with both these actors, as well as triangulate them to better grasp the main issues in the EU-Russia-China agenda, with a focus on energy.

3.1 Russia-EU Relations: Broad Agenda, Narrow Execution

Relations with the EU go back to 1991, when the EU-Russia cooperation programme was launched, and to the institutionalization of the relationship through the signing of the Partnership and Cooperation Agreement (PCA) in June 1994. Laying the legal foundations for the relationship, the Agreement includes cooperation in a broad range of areas with the goal of integrating Russia into the wider area of cooperation in Europe. Principles included in the document sought the promotion of security and international peace, the development of a democratic society and a spirit of partnership and cooperation, and the strengthening of trade (foreseeing the establishment of a free trade area), economic, political and cultural ties. The agreement entered into force in 1997 for a period of 10 years, annually renewable in case no new document was agreed, which was the case. This lack of agreement in the negotiation of a new founding document demonstrates the fundamental differences underlying this relationship. These pertain essentially to political and economic issues, with normative aspects bringing interesting twists to the bilateral relationship. Energy is here an issue that has been treated in all these dimensions, as a political issue, an economic asset, a security matter.

The Four Common Spaces (May 2003) and the roadmap to their implementation (May 2005) have become the central guiding principles for the relationship, replicating the broad agenda that was set by the PCA, but systematizing the contents

in four main areas and moving towards more ambitious goals: a common economic space; a common space of freedom, security and justice; a common space of external security; and a common space of research and education. The aim is to promote cooperation in these various areas, through working groups at different political and technical levels, to drive collaborative integration. However, progress has been mixed as showed by progress reports and the bilateral Summits' discussions, with lack of trust playing a fundamental role in the lacking of more visible results. Nevertheless, and following the mutual recognition that both might benefit for deeper cooperation in strategic areas, the 'Partnership for Modernisation' (2013) was agreed and has been referred to as central to the development of EU-Russia relations. This ought to build on the common spaces to "promoting reform, enhancing growth, and raising competitiveness" (Dettke 2011: 127), seeking to allow cooperation in areas that are identified as fundamental for competitiveness and innovation, including technological and highly qualified research in diverse areas. The rationale for this partnership rests to a great extent on a technicalization approach. This means that despite the acknowledgement that both the EU and Russia are committed to "a balanced and result-oriented approach, based on democracy and the rule of law" (Delegation of the European Union to Russia 2013), technical matters associated to the modernization agenda are central, allowing a target-oriented methodology to be applied. Nevertheless, the context of pressing tension that resulted from the crisis in Ukraine and the adoption of sanctions compromised the partnership, rendering the prospects for cooperation low.

Relations between the EU and Russia remain substantial in terms of institutionalization of contact in high-level summits, working commissions, delegations and regular meetings, as well as regarding the levels of interdependence in trade and energy. Regarding trade, according to the European Commission (2013), EU imports from Russia in 2012 amounted to EUR 212,882 million and exports to EUR 123,016 million, representing a steady increase since 2003 (except for 2009). However, the EU's view of modernization is closely linked to liberalization, whereas Russia's focus has been on innovation (Delcour 2011), which creates differential readings, despite the technical dimension associated and the interdependence benefits recognized by both sides. Also, as competition in the post-Soviet area between the two partners becomes more polarized new questions to the partnership will emerge (Freire and Simão 2015).

The main documents signed within the context of this relation point to an acknowledgement of the relevance of this relationship, in diverse issue-areas; to the importance of dialogue as allowing a channel for cooperation as well as for discussing divergence; and to the normative basis that underpins what is understood as shared principles. In fact, the principles of sovereignty, non-interference in internal affairs, polycentrism, and international law according to the United Nations Charter have been advanced by both actors in fundamental documents such as the Foreign Policy Concepts in the case of Russia or the European Security Strategy in the case of the EU (Casier 2013: 1381), as well as in policy documents in China.

Thus, the normative dimension assumes interesting twists as many of the principles are shared but their implementation differs.

The Russian intervention in Georgia was not welcomed in China as it was assessed as putting into question the sovereignist principle; however, China has kept a more neutral positioning towards the Russian intervention in Ukraine, not endorsing it, but also not criticising it. These developments need to be read in context, particularly in the framing of a deepening of the BRICS cooperative framework. This is an issue that will be further developed in the chapter. With regard to political and economic issues, and although some of these issues cross-cut the normative dimension, they might be synthesized as political balancing in the pursuit of foreign policy goals, with energy constituting a political, economic and security issue. This multidimensionality associated to energy-related questions is most relevant to understand not only bilateral relations of Russia with both the EU and China, but the trends that have been developing in the wider framework of triangulation of relations among these actors.

Russia sees the 'greater Europe' concept as better framing relations in Europe's enlarged area, by locating EU-Russia relations in a more equal footing. Russia perceives EU policies, especially the Neighbourhood Policy, to limit its actions in what has been termed the 'shared neighbourhood'. The evolution of EU policies towards its eastern neighbours—the former Soviet republics—raises concerns in Russia about limits to political, military and economic projects, including regional integration. Russia understands the projection of the European Neighbourhood Policy and of the Eastern Partnership as implying a deeper engagement of the EU in the post-Soviet area that might severely limit Russian actions, particularly regarding multilateral frameworks for cooperation; diminish Russian leverage in the protracted conflicts in the post-Soviet space; and promote a dichotomous 'exclusion-inclusion' dynamics based on an exclusionary option *for* the EU or *for* Russia. The events in Ukraine point to the triggering of tensions highlighted in Russian readings regarding EU's informal integration with the post-Soviet countries, following previous criticisms about the coloured revolutions and how these constituted destabilizing factors in the post-Soviet area. The understanding in Russia is that the deeper influence of the EU in this privileged space for Russia, according to its main foreign policy documents (FPC 2000, 2008, 2013), diminishes its power and influence in the area, undermining the projection of its goals in the CIS space. Therefore, and in order to counterbalance the EU's perceived hegemonic role, the idea of 'greater Europe' as promoted by Moscow seeks distancing from this dominant/subordinate relationship. It builds on an alternative vision of the European idea "look[ing] at the question of European integration from less of an institutional perspective and with more focus on the attempt to create an alternative international regime in which European multipolarity could be formalized" (Sakwa 2012: 315–316). Thus, disagreeing with the current format for relations, Russia "is not willing to be a mere part of a European Neighbourhood Policy structure. Moscow mostly considers this particular EU policy as a cover-up for Eurocentric foreign policies" (Bozhilova and Hashimoto 2010: 637). This understanding

applies both to the configuration of the wider Europe, but also to policies developed within this space, including energy.

If the EU sees in Russia a privileged partner, when looking at an unstable Middle East, it also understands that the diversification of energy resources is essential, particularly due to Russian assertive and retaliatory practices in the former Soviet area, with direct impact in the European markets (Freire 2009). On the same lines, as much as Russia sees in the EU a fundamental market for its energy, and representing a substantial share of its imports, it also understands the need for diversification policies, a trend that was accelerated with the war in Ukraine and the vulnerability of transit supplies through Central and Eastern European countries. In addition, Russia understands that further integration in the European markets gives it assurances and guarantees of stability, but raises questions about a market that remains very much closed to non-energetic assets (Freire 2009).

This evolution in energy relations between the EU and Russia points to the fact that “energy relations have moved away from a pure economic approach to the interpretation of decisions in a geopolitical and strategic way, stressing issues of dependence and security. This has contributed to a logic according to which EU-Russia relations are interpreted in competitive geopolitical terms” (Casier 2011a: 540). However, despite the political narrative emphasizing geopolitical competition as the driver behind energy-related disagreements, “EU-Russia energy relations are not about geopolitics, security and the struggle for power. Geopolitical considerations definitely play a role, but the first concerns of the actors involved are of an economic nature: commercial profits, low energy prices, lucrative contracts, etc.” (Casier 2011b: 606). The location of energy relations in this framework helps in understanding the meaning of ‘diversification’ in both the EU and Russia discourse.¹

The turn towards China and other developing markets, which have been part of this diversification strategy, with fundamental consequences for the Russian economy and its foreign policy, has become even more strategic with the current crisis in Russia’s relations with the west. China is, however, perceived as a poor substitute for western technology by many in Russia (Eremenko 2014). Nevertheless, in a context where Russian elites prioritize ideology over economic gains, the costs of western sanctions have been perceived as acceptable and made lighter by the possibilities of greater trade relations with China, as the billionaire May 2014 gas agreement illustrates (President of Russia 2014, Freire and Simão 2015). The signing of this long-time negotiated gas agreement is an illustration of the Russian eagerness to diversify sources. It also results from the economic and political pressure resulting from the Ukrainian crisis lingering since the end of 2013, and the low in relations with the EU (and the west, more broadly) that have followed, including the introduction of sanctions. Energy has thus been a fundamental game-changer in relations, both by enhancing Russia’s leverage power and

¹ For further detail on EU-Russia energy relations see for example Boute (2013), Kuzemko (2014).

by restraining its capacity for action, both in relations with the EU—the hindering effect as a result of Ukraine—and with China—the booming effect also accelerated by the war in Ukraine and its very concrete political and economic consequences.

3.2 Russia-China Relations: Energizing Cooperation in Double-Containment Policies?

Russia-China relations were during the first post-Cold War decade very much conditioned by the transition from the extinct Soviet Union, and the continuous (re)definition of Russia's new place. Relations with the west were to some extent privileged with China not being mentioned extensively in fundamental political documents. After Primakov became Foreign Minister in 1996 and formalized the multi-vectorial formula in Russian foreign policy, relations with China gained a new dimension, but its consolidation would only come in 2001 when Presidents Jiang Zemin of China and Vladimir Putin of Russia signed the 'Treaty of Good Neighbourly, Cooperative and Friendly Relations' (Russian Federation and People's Republic of China 2001). The document lays the ground for the working relationship between these two countries, namely regarding the observance of the 'Five Principles of mutual respect of state sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit and peaceful co-existence'. The document also identifies as main areas for cooperation, among other, economics and trade, military know-how, science and technology, energy, transport, aerospace and aviation. The focus on technological development in diverse sectors is clear, and energy plays a central role to this relation from its inception. The rapid growth of the Chinese economy brought it under pressure regarding the demand for energy resources, whereas bringing Russia to the position of a supplier neighbour, a relationship that evolved around this simple equation of supplier versus consumer. However, fears were voiced in China regarding the reliability of Russia as an energy partner, particularly when disagreement over pipeline routes became clear, with arguments conflicting about environmental concerns, ideological disagreements, political clashes and attempts to control economic assets (Ferdinand 2007: 848). These differences highlight not only difficulties in the energy sector between Russia and China, but the wider framing where relations develop and which is not always cooperative.

At the bilateral level, Russia-China relations are also not very interdependent in economic terms, though there has been a reinforcement of the trade volume through the signing of new agreements in diverse areas, such as finance, aerospace industry, biochemistry and renewable energy. The signature of the "Cooperative Memorandum for Economic Modernization" in 2011 is illustrative (Bin 2012). The gas pipeline agreement signed in May 2014 is probably one of the most relevant agreements both governments signed in recent times, representing a deal worth 400 billion USD (President of Russia 2014). The implications of this agreement are immediately visible as a consequence of the Ukraine crisis and soaring of relations

with the west, as well as announced plans of shale gas coming to the EU from the US. Thus, this deal is not only part of a broader strategy of diversification from western dependence, but also an attempt to further strengthen relations with China in a changed context, where the BRICS are positioning themselves in a more assertive way. Just as the EU and Russia recognize the relevance of pursuing cooperative relations, China and Russia follow the same rationale, building on the fact they are neighbouring countries and share concerns, such as regarding power shifts in the international system or on issue-areas such as transnational terrorism (Russian Federation and People's Republic of China 2011). Nevertheless, it should be noted that despite common ground for cooperation, there is also ample room for disagreement, as the goals of reassertion in the international system, pursued by both these states, even if in differentiated formats, demonstrate.

In fact, relations between Russia and China have been marked by a double containment policy: on the one hand, both actors understand the United States (US) power status as hegemonic and, therefore, they seek to articulate policies in order to contain widespread US influence, particularly in Asia; on the other hand, China and Russia are regional competitors, thus they engage in selective cooperation in diverse areas, with Russia for example avoiding that China reaches military parity. This double containment strategy makes it difficult to set a pattern in terms of cooperative versus competitive policies and practices, as the context where relations are developed is fundamental. This means the internal/external interlinkages earlier mentioned are central to the framing of relations: the trend, generally, has been for selective engagement, pursuing national foreign policy goals that both cooperatively overlap or competitively clash. In the former case usually dialogue and collaborative means are pursued; in the latter case, rivalry guides relations. In addition, Russia's multi-vectorial foreign policy includes relations with China as a main dimension of the eastern vector, however, it is not completely independent from its western dealings. '[D]espite all the rhetoric and even very significant efforts directed at political and strategic cooperation between Moscow and Beijing, the relationship remains contingent on Russia's understanding of its current relations with the US and the European partners' (Freire and Simão 2015).

Besides the bilateral dimension to these relations—and the broader international setting where they develop—there is a fundamental multilateral focus that has been framed with particular relevance within the context of the SCO and the BRICS. The double containment policy is clearly visible within SCO's policies and practices, as allowing the 'alliance' of Russia and China to be perceived in the US as a counterweight to its presence in that area; whereas simultaneously through, for example, the pursuit of joint military exercises, allowing for recognition and monitoring measures between both countries.² As for the BRICS, these raise a set of new interrogations regarding their perspective on the international order, offering an alternative reading from a dominant western model, defined as hegemonic.

² For further development of this issue see Freire and Mendes (2009).

The New Development Bank that was agreed among the BRICS' countries on July 15, 2014, to pursue development aid detached from the Bretton Wood institutions' requirements, is an example of institutional consolidation of anti-hegemonic rhetoric. The Bank aims at 'mobiliz[ing] 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 2014). The work of the New Development Bank still needs to be seen and followed in its dealings and concrete achievements, however, the setting up of this institution, defined as developing 'complementary' efforts to promote development, raises questions about the alternative order these countries are promoting and of what might be the impact of this in the configuration of the international system. Russia's position within this group of states has become, nevertheless, more vulnerable after its economic performance was affected by a conjugation of several factors, including the drop in oil prices, the economic and financial crisis that has been hitting Europe since 2008, and the economic sanctions as a consequence of the Ukrainian crisis. This economic outlook leads some to argue that Russia is a post-BRICS country, facing economic stagnation and concerned with China's economic rise (Judah et al. 2011).

The multi-vectorial policy Russia has been pursuing allows it to divert options, meaning it might cooperate with the west in areas defined as strategic, such as energy-related ones, where interdependence is clear, whereas cooperating with China, for example, also in energy-related matters, as well as other economic or even political and security issues. The political model Russia will follow might result from a combination of these two systems, in terms of consolidating the hybrid way its politics seem to be taking shape: internally a centralised and powerful government, in control of the main strategic areas for the country's development and not allowing much freedom of action to civil society movements; and externally, a policy playing with both the western and eastern dimensions to the benefit of its domestic and external goals. The Ukrainian context seems to be contributing to the more conservative move within Russia, which also further aligns with the alternative readings of the international order that have been promoted by the BRICS. In this way, Russia is distancing itself from the west, especially on ideological and valorative terms.

Just as in EU-Russia relations energy is essentially an economic issue, despite geopolitical and security aspects that can be associated to it, the same applies to Russia-China relations. Former Prime Minister Wen Jiabao was quoted at the 2006 Euro-Asian Summit in Helsinki as stating that "geopolitical disputes should not stand in the way of global energy supply and energy should not be politicized" (cited in Dannreuther 2011: 1349). But the economic outlook of energy deals requires strategic thinking about diversification strategies to assure stable flows and demand-supplies. Russia and China see each other also as interested parties in these diversification approaches that are being designed at the national level in both countries. Simultaneously, further energy integration between Russia and China means avoiding over-dependency on western sources or the Middle-East, as well as

it means the building of a not too deep mutual dependency, even if the relationship is asymmetrical in terms of the supplier-consumer relationship. For example, the negotiated deals by Chinese officials with Kazakhstan for direct supply with no intermediaries is part of this strategy of avoiding over-dependency on Russian sources. “In Kazakhstan, Chinese companies have been actively investing since 1997, and by 2010 the country represented the largest share of Chinese overseas equity oil at 23 % of the total. Roughly one-quarter of Kazakhstan’s oil is controlled by Chinese companies” (Dannreuther 2011: 1356–1357).³ Other pipeline projects brining energy from Central Asia to China, bypassing Russia, are being developed, further contributing to this diversity approach in terms of supply-sources. “What is particularly unusual and unexpected about this penetration of China into Central Asia, traditionally seen in Moscow as its exclusive ‘sphere of influence’, is that it has not engendered Russian obstruction and opposition. This acquiescence is certainly, in part, attributable to Russia’s powerlessness to prohibit the Central Asian states from gaining access to the dynamic markets of China and to the substantial funds for investment which the Chinese NOCs [National oil Companies] provide” (Dannreuther 2011: 1357). The deepening of the Chinese presence in Central Asia is, nevertheless, closely followed by Russia, as it tries to keep influence over these governments as part of its foreign policy goals. Additionally, it should be noted that despite China not feeling reassured with affairs such as Yukos, fearing “Russian duplicity”, it has understood the Russian posture as demonstrating a more independent stance from the western discourse on “economic reform and development” (Ferdinand 2007: 849).

The sharing of principles by China and Russia regarding an international ‘poly-centric’ system configuration, the sovereignty principle, and the counterbalancing of the western presence particularly in Central Asia have contributed to the alignment of their positions. China seeks full integration into the world economy, not following the neoliberal western model, but through its own ‘socialist economic principles’ that allow for a combination of an open economic system with the internal ruling of a closed Communist Party. This approach to politics and economics finds resistance in western circles wary of objectives other than economic ones that the Chinese diplomacy might be promoting through its integration in the world economy (Dannreuther 2011: 1364). However close and distant Russia and China might be at some point in time, the fact is that the geographical proximity and the facilitating element this might constitute in economic or security relations; the gains that might result from furthering economic interdependence, where energy has been identified as a fundamental element; the sharing of values in their anti-western-oriented-rhetoric, and the definition of a polycentric international order built on alternative principles to neoliberal ones, points to a cooperative trend. The low in Russian relations with the west, further deepened by the Ukrainian war, has been a fundamental accelerator of this rapprochement trend in Russia-China

³For an analysis of energy dealings between Russia, China and Kazakhstan within the SCO framework see Movkebaeva (2013).

relations. It should, however, be noted, that competition and rivalry in the enlarged regional space where these two actors engage is ever present.

4 Conclusion: Russia, China and the EU in a Changing and Challenging International Context

The multi-vectorial Russian foreign policy, looking east and west, has met different challenges on its way, by both envisaging cooperation in different areas with the EU and China, while having to face competition also in different areas in relations with these two so-called partners. In the shaping and making of Russian foreign policy, as analysed, the internal/external interplays, including the Ukrainian case as an accelerator of tendencies, required targeted adjustments. The overall goal of affirmation of Russia as a great power in the international setting has been pursued, including through more assertive means, but also facing new challenges. The low in relations with the EU, including political and economic sanctions, constitutes an added difficulty to Russia's economic performance and to its dealings with a traditional partner, which despite ups-and-downs, has been a major market for its energy resources. The conflicting trajectory of Russia with the EU and the west in general, promoted rapprochement with China, building on existing ties. Selective balancing has thus been characterizing Russia's positioning in difficult times, a balancing that has become less flexible in the context of the Ukrainian crisis, clearly limiting Russia's space for action.

In these relations, energy became a game-changer, with different dimensions, either perpetuating relations of mutual dependency—the EU-Russia energy interdependence—or announcing new deals that consolidate partnerships and point to power shifts—such as the closest positioning of Russia towards China. However, the game-changer that energy constitutes has a reverse dimension, made objective in the diversification policies and alternative routes that are sought by these three main players, meaning the game is being played and changing at fast pace. The Ukrainian factor must be highlighted here, including the sanctions agreed against Russia, along with the decrease in oil prices which has severely affected Russian economy, together with the European financial and economic crisis. The setting points to an unfavourable picture for Russia, whose balancing policy cannot resort so extensively to energy resources as these are rendering Russia more dependent and conferring on it less leverage over the foreign policies of neighbouring states. It should be noted the fact that Russia is heavily dependent on the west as a consumer market for its energy, as well as a reliable one, and that the new gas deal with China does not constitute a substitute to this dependency. It is nevertheless a substantial agreement and strong in its symbolism, as it makes very concrete the alternative paths that are being sought. But this is a wide network where competing routes are being drawn, passing and bypassing these countries, with fundamental consequences in terms of the energy game being played. In the midst of competition and cooperation, it seems to be clear that energy became a game-changer not allowing leeway for full control of resources and transit, but instead suggesting

the increased need for negotiation and accommodation to alternatives that offer a more reliable balancing of difference. Accompanying these shifts the new order promoted by the BRICS, where Russia is represented in the 'R' points to new challenges regarding the eventual redefinition of the international system in a more polarized logic; the rethinking of relations that have traditionally been coined as strategic partnerships, but that although strategic do not seem to encompass the partnership dimension; and the re-equation of Russia-EU-China relations in the new context, exacerbated by the Ukraine war and the anti-hegemonic-neo-liberal order the BRICS' group is seeking to advance. Where to are relations among these three big players heading has not an easy answer. Nevertheless, the interdependence of their relations at various levels seems to be clear, pointing to the need for the finding of a common denominator that might allow dialogue to sustain a constructive path. The energy role as a game-changer will contribute towards this need as all three actors are affected by the changes taking place and entangled in the interconnections resulting from these.

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Examination of the Contemporary EU-China Political and Economic Links

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Abstract

Sino-European relations have considerably improved over the last decade, but there are still issues over which there is disagreement. This chapter briefly reviews EU-China institutional relations. Analysing this strategic partnership raises a number of questions. The chapter looks at the political and economic links between the partners. Through examining their political ties, potential issues for cooperation such as climate change, emergency management and maritime security are explored. The chapter also remarks on sticking points such as human rights. It then explores the economic relations by highlighting the economic and trade interdependencies as well as their complementarity. Nevertheless, frictions persist in regard to the trade imbalance, the opacity of the Chinese market and anti-dumping practices. Finally, the chapter draws some tentative conclusions.

1 Slow Processes Hold Promises, but Simply Standing Will Bring Failure

Sino-European strategic partnership is constantly deepening. It has developed into a multi-dimensional and multi-level network of relations. Trade and economic cooperation is still the key pillar of this relationship. The political pillar, however, has also expanded, and there are new topics on the agenda such as urbanisation, climate change, maritime security and a RAPEX system.

Despite the differences between the nature of the political morphology and values of both actors, this partnership is a matter of strategic necessity (Martinusz 2011). The European Union (EU) is being challenged by the financial and economic

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crisis and a shift in the distribution of global power. Simultaneously, the Chinese leadership has to tackle an extensive number of domestic problems, including the political transition, population growth and the economic downturn. Cooperation between partners follows the patterns of domestic reforms. A shift on perceptions creates tensions with the existing institutional framework.

On the basis of an in-depth review of the Sino-European literature and a total of eight interviews with six European officials and two Chinese scholars, this chapter argues that both partners are willing to expand their political and economic cooperation. Sporadic trade disputes, genuine concerns about democratic values and frictions over balance of power will always exist but, even with negative public opinion and media coverage, overall trade provides an incentive for cooperation.

The starting point of this chapter is a brief overview of the Sino-European relationship with an emphasis on the past decade: the launch of the strategic partnership. The chapter's aim is to assess where this relationship stands. For this purpose, political and economic cooperation are examined—the first and second pillars. Cultural and educational cooperation—the third pillar—will not be analysed due to limitations of the scope of this research and the embryonic stage of this pillar, which would hinder any in-depth assessment of a cooperation trajectory in this area.

2 An Overview of the Past Decade

Stretching back to 1975, Sino-European official relations were limited to economic affairs. In 1985, both partners signed the Trade and Economic Cooperation Agreement (TECA) becoming the core basis for economic cooperation. A political dialogue was launched in 1994, although it was not until 2003 that the relationship was defined as a strategic partnership.

The gradual inclusion of new areas of cooperation has contributed to developing the institutional framework of the Sino-European relationship. Currently, the institutional architecture comprises three pillars; Political Dialogue (2010), with 11 specialised dialogues; Trade and Economic Dialogue (2008), with 44 sectoral dialogues; and High Level People-to-People Dialogue (2012),¹ with three specialised dialogues. According to the European External Action Service, there were 58 sectoral dialogues as of June 2014 (European External Action Service 2014a).²

¹ The HPPD was officially launched in March 2012, and has become the third pillar of EU-China institutional architecture. It tackles the areas of education and training, culture, multilingualism and youth, all of which are ongoing under the European General-Directorate of Education and Culture. The aim is to invest in the field of people-to-people exchanges to overcome mistrust and establish an intercultural understanding between the societies. The last discussion was held in Beijing in September 2014. The potential components of this pillar are: 'EU-China Higher Education Platform for Cooperation and Exchange', the China-Europe International Business School and the China-EU School of Law.

² The dialogue architecture is constantly changing as discussions evolve and new topics for cooperation appear. The number, nature and scope of the dialogues may then be different at the time of reading this chapter.

Since the strategic partnership concept was coined (2013), in spite of a transitory cooling period caused by the events of 2007 and 2008, the relationship has developed positively. The past decade has encompassed three stages: a thriving and dynamic period (2003–2006); a cooling period (2007–2009); and a revival of relations (2010-present).

2.1 A Thriving and Dynamic Period (2003–2006)

The partnership developed in a positive and fruitful way. Two official documents were published: *'A maturing partnership: shared interest and challenges in EU-China relations'* (European Commission 2003), produced by the European Commission; and *'China's EU Policy Paper'*, produced by the Chinese Ministry of Foreign Affairs (Chinese Ministry of Foreign Affairs 2003). The Chinese document was a milestone as it was the first exclusive Chinese White Paper to focus on studying a partner. In addition, two major events took place in 2003: the participation of the PRC in the Galileo programme and Europe tentative pledged to lift the arms embargo.

During the 2005 anniversary of diplomatic relations, the 8th Summit was held in Beijing, which highlighted the exceptional economic and trade relations. The European partners showed their interest in and willingness to further engage in cooperation with the PRC by producing a second comprehensive document: *'EU-China: Closer partners, growing responsibilities'* (European Commission 2006). This consisted of two parts—trade and economy, and political and strategic cooperation—for the first time. This stage concluded with the 9th Summit (September 2006), a *Joint Initiative* emphasising common ground and dismissing all of the existing frictions.

2.2 A Cooling Period (2007–2009)

Following the initial positivity of the strategic partnership, the so-called 'honeymoon period', the relationship was marked by mutual misperceptions. The reasons behind this shift in perception began with the pre-Olympic games: the Olympic torch relay was cut short due to French protests and consequently French companies, such as Carrefour, were boycotted. Other frictions appeared during the Global Financial Crisis (GFC), which affected European member states' economies and highlighted trade imbalances. In addition to the trade disputes, both regions saw the negative public perceptions of each other increase.

2009 was imbued with a lack of confidence and mistrust. In an attempt to calm the tensions, Wen Jiabao's—温家宝 former Premier of China—made his first official visit to the EU in 2009. Both partners realised the need to promote reconciliation. The 11th Summit reflected their mutual need to tackle the international challenges affecting their domestic security. While the economies of the Eurozone had begun to be shaken, the PRC had suffered extraordinary

environmental disasters including the 2008 Sichuan earthquake, an economic downturned and civil society protests.

2.3 A Revival of Relations (2010-Present)

The 35th Anniversary of the Sino-European relationship represented the start of the third stage. Economic and trade relations had increased from €4 billion in 1978 to €400 billion in 2010 (European Union 2012). On October 2010, the 13th Summit took place. It was the first to be held since the Lisbon Treaty had entered into force. The Treaty was to have a positive effect on the relationship: European foreign policy may shed some light to political ties. The creation of the European External Action Service also supported the political dialogue: the High Representative of the EU for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP) was appointed.

After the 13th Summit (2010) numerous official visits and high-level meetings took place. As Zoltan Martinusz, former advisor to the European Council President Van Rompuy, stated; ‘it was certainly no coincidence that President Van Rompuy’s first official bilateral visit outside Europe took him to China’ (Martinusz 2011). Throughout 2012, the leaders’ willingness to enhance cooperation was clearly expressed through the hosting of two EU-China Summits. The agenda of the 14th Summit (February) included a large number of new topics and specific initiatives were generated such as the creation of the High Level People-to-People Dialogue (HPPD). The 15th Summit (September) illustrated diplomatic gestures from both sides. European officials valued the Chinese interest in staging the Summit just before the 18th National People’s Congress meeting. In turn, Chinese diplomats welcomed the opportunity to provide a European send-off to Wen Jiabao by holding his last Sino-European Summit on his birthday, under the motto ‘*happy birthday & bye bye, Mr. Wen*’.

Nevertheless, the partnership lost *momentum* for a short period, when the positive relations came to a halt. 2013 started with a trade dispute over solar panels. Some news headlines added grist to the mill, ‘EU China solar panel trade war looms’ (BBC 2013) and ‘their biggest trade row by far’ (Emmott and Blanchard 2013), during summer 2013 but in the end the dispute was resolved.

3 Juggling Between Recognition of Mutual ‘Need’ and Domestic Matters

Both leaderships had expressed their intentions to engage with their strategic partner at numerous high-level events in order to deepen, in particular, their political ties. The domestic context and challenges, however, marked the direction of each partner’s political decisions.

European leaders have repetitively expressed their interest in fostering relations with China and engaging in a more developed and closer form of cooperation.

Manuel Barroso, former president of the European Commission, said to President Xi Jinping (习近平) during his April 2014 visit to Brussels that ‘the EU-China relations are of strategic and prospective significance and enjoy sound development momentum’ (China Embassy 2014b). This is not just because of its economic, territorial and demographic size, but also because of the PRC’s weight in the international arena. The Chinese Government is not perceived as a threat by its European partners. Catherin Ashton, former HR/VP, defined China as a ‘major world power’ and tried to boost relations with Beijing in a pragmatic way by suggesting lifting the arms embargo (Rettman 2010).

The current political strategy towards the PRC is based on objectives that were defined in 1998: ‘engaging China further in the international community, supporting its transition to an open society, integrating it in the world economy, and raising the EU’s profile in China’. EU leaders indeed support the Communist Party of China (CCP) working towards to transform itself into a more democratic political system with a liberalised economic system (European External Action Service 2014b). Scholars such as Godement and Fow have defined this wish as ‘an anachronistic belief’ (Godement and Fow 2009), because of the unrealistic hope that Chinese leaders will embrace European policies and post-modern values as a model for China’s own transformation. The EU’s attitude to support China’s democratisation had exposed slight ironic undercurrent; described as ‘self-serving interest’ (Welzel and Graf 2011). This negative perception of Europe is also grounded on some EU member states’ colonialist history, which projects a ‘selfish’ image, and a certain degree of insensitivity towards China (Tang 2011).

Chinese officials did not initially understand the EU’s true function. Today, their comprehension is greater, although they still wish that the EU would make decisions faster with one united voice. Declarations of their strong interest in Europe, by defining their strategic partner as a relevant, friendly and reliant actor have also been made. During Wen Jiabao’s 10 years as Prime Minister, he promoted the EU as an important partner (Liu 2013). The new leadership has followed a similar path. In 2012, President Xi and Premier Li Keqiang (李克) took a tour around European capitals and emphasised the importance of building strong economic and political ties on an equal basis. The last high-level meeting occurred from 31 March to 1 April 2014 in Brussels, when Xi, the first Chinese leader to visit the EU institutions since ties were established in 1975, stressed that the two sides should combine powers, markets and civilisations in order to promote four key issues: peace, growth, reform and civilisation (China Embassy 2014a).

Nonetheless, major domestic challenges in both regions have affected the relationship and negative public perceptions of both strategic partners have at times increased. These issues have been compounded by the global economic crisis and, subsequently, complex social issues have been aggravated. When the euro currency started to lose value compared to the RMB, unemployment rose across the Eurozone and the European integration model slowed down, European’s claim on its superiority Welfare State Capitalism, of course, changed profoundly. This situation has undermined the EU’s credibility in promoting policies and it’s on model (Bai 2014). In Europe, the PRC’s economic rise has also inspired fear and

negative feelings. These feelings—consciously or not—influence the way in which the news are selected, written and presented. According to research done by Ingrid d’Hooghe, China’s popularity has been falling. Media reporting about China mainly focuses on negative issues such as heavy pollution and human rights records.

4 Doors of Opportunity in Traditional and Soft Security

While, for the first time in their long histories, neither partner is exposed to any direct serious territorial threat from their traditional adversaries, they are, nevertheless, addressing other security concerns. Security cooperation involves traditional and soft security issues.

Since the 6th Summit (2003) and the launch of the Strategic Dialogue, multilateral global governance, international stability and security matters are now more present in the discussions. The main common areas in traditional security are counter-piracy and maritime security, crisis management, cyber issues (EU-China Cyber Task-Force), non-proliferation and conventional arms exports (Gill and Murphy 2008). Both partners aim to support a multilateral order to prevent conflict and maintain international peace and stability. During the 10th Sino-European Summit (2007), the participants expressed their interest in effective multilateralism and the need for the United Nations (UN) to be more effective in the face of the emerging security challenges. At the 15th Summit, global responsibility and the management of humanitarian crises were also emphasised (Council of the European Union 2012; European Commission 2013a).

Cai Run (蔡润), Director-General of the Policy Planning Department, International Department of the CCP Central Committee, recalled that both partners have intensified cooperation with regard to peace, security and stability operations. Military officers have been exchanged for training purposes; for example, stage police training, capacity-building seminars and military bodies. Concrete examples include the EU ATALANTA operation (2008); EUNAVFOR (2012), and the combined maritime forces combating piracy and escorting World Food Programme vessels in the Gulf of Aden (European Commission 2013b). Maritime cooperation is indeed becoming a relevant field for security and defence cooperation. In March 2014, the EU Naval Force conducted a Counter Piracy exercise with the Chinese Navy (EUNAVFOR 2014). Another example is the visit by Major General Luo Wei, defence advisor to the PRC, and other Chinese military staff, to the Operation Commander of the EU Naval Force in June 2014 (EUNAVFOR 2014). This situation was a reverie just 10 years ago.

The EU is geared towards engaging the PRC in international responsibility: the so-called principle of the ‘responsibility to protect’ (R2P) (European Council 2003). The protection of China’s economic interests abroad is now a national interest: Chinese enterprises are some of the largest investors in certain African countries. The Chinese leadership signed the World Summit conclusions on the R2P (Teitt 2008) and it also included, for the first time, the issue of protecting the

legitimate rights and interests of Chinese people abroad in the 18th National Party Congress' report (Caixin 2012).

A shift in the CCP's commitment is perceived: it has adopted a more proactive, constructive and cooperative attitude. The PRC is the 7th contributor with 3.93 % of the total budget (\$7 billion for the period 1 July 2012–30 June 2013) of the UN peacekeeping operations. It participated in 14 missions with a total of 1,925 experts in 2012 compared to 2,078 in 2013 (United Nations 2012). The PRC is the biggest contributor to UN peacekeeping operations among the five permanent members of the UN Security Council (Gill and Murphy 2008). Despite the outstanding figures, the People's Liberation Army's (PLA) involvement in UN peacekeeping missions in terms of capabilities and budget is low compared to other new emerging actors. The case of Lebanon illustrates this point. The UNIFIL mission involved the following personnel: European (5050), Indian (899), South Korean (369) and Chinese (344) (Renard 2011).

Regarding non-traditional or soft security issues, the main questions are related to cross-cutting issues such as water scarcity, food security, the decrease in arable land and urbanism. Leaders from both regions are currently looking at synergies between China's 12th Five Year Plan and the European 2020 Strategy to improve their cooperation. The new 2012 EU-China Urbanisation Partnership addresses the economic, social and environmental challenges of urban areas (European Commission 2013c). Under the DRAGON-STAR Programme joint actions have been undertaken to identify areas of societal importance regarding water security and urban agriculture.³ Moreover, the Copernicus programme also shows how traditional and soft security issues are, sometimes, combined.⁴ Technology is considered with regard to both its military and civil uses; it is difficult to draw a clear line between these. Initially, this system was implemented to assist China's National Disaster Reduction Centre after the 2010 Sichuan Earthquake. At present, space and ground technology is also used to monitor climate change, as well as atmospheric and marine pollution. The Arctic Circle is another example. Despite a degree of competition between the partners for access to Greenland's rare earth mineral resources,⁵ the region offers opportunities for scientific cooperation. In addition, with the thaw that is being observed, new maritime trade routes may emerge.

Partnership on Climate Change (CC) indeed is one of the main fields of cooperation. In the case of the PRC, the effects of CC are already negatively impacting agriculture and in turn affecting food and energy security. Concern about gas emissions and air pollution are everyday headlines in any Chinese media. The European green diplomacy and 'eco' market have then found opportunities. At the institutional level, the Rolling Work Plan agreed in 2006 sets out a number of

³ For more information visit: <http://www.dragon-star.eu/tackling-societal-challenges>

⁴ For more information visit: http://www.esa.int/Our_Activities/Observing_the_Earth/Securing_Our_Environment/Overview3

⁵ Large reserves of oil, gas, zinc, diamonds, gold and iron.

actions and win-win mechanisms: the EU-China Low Carbon Zones (LCZs)⁶ and the China-EU Near Zero Emission Coal (NZEC) project.⁷ Renewable energy is of utmost importance for both partners, particularly since China's total energy demand is constantly growing along with its coal consumption. On the European side, extensive experience of sustainability and energy efficiency projects can be offered, although adaptability to the local markets is essential.

5 From Political Sticking Points to Frozen Frictions

Despite potential opportunities for cooperation, political ties still are permeated with genuine concerns. Disagreements mainly regard: European reservations about China's intentions regarding global governance and military budget expansion; the arms embargo; and China's human rights record. As Hua Chunying (华春莹), Chinese Foreign Ministry Spokesperson, has pointed out, both partners need to employ 'strategic patience' (Scott 2011).

A march to the beat of a different drummer is in place. Joshua Eisenman defined the PRC's engagement in international security, operated on a case-by-case basis, the so-called 'One-China principle' (Eisenman 2005). China's non-interference principle and its opposition to imposing economic sanctions contrast with Europe, which not only endorses sanctions but also conducts humanitarian intervention; therefore global suspicions regarding China's intentions on the international scene are increased. Ambiguity was apparent when despite an arrest warrant from the International Court of Justice,⁸ Xi Jinping allowed Omar al-Bashir, the President of Sudan, to visit China in June 2011 (Vaïsse et al. 2012). China's unsupportive actions at the UN Security Council also fuelled the frustration of its European partners: the case of Iran illustrates a 'fine-tune' Chinese position (Holslag 2009). Wen Jiabao expressed China's opposition to Iran's possession of nuclear weapons and manufacture in his visit to the Middle East in 2012. Yet, the Chinese Foreign Ministry also highlighted efforts at 'harmonious diplomacy' and economic cooperation, which show how it changed track towards peaceful negotiations instead of using military intervention (Epochtimes 2012). All these cases illustrate the idea that the CCP should transition to a more democratic style of governance.

Furthermore, European suspicions feeds into Chinese peaceful development due to the major investments that the CCP has made to improve the capacity of its army without clear accountability and with ongoing territorial claims (Vaïsse et al. 2012: 39). It is puzzling that Chinese peaceful development and China's dream rhetoric

⁶ These zones will provide the test beds for innovative regulations, policy, standards and so on for low carbon development in China.

⁷ This Project aims to develop and demonstrate carbon dioxide capture and storage (CCS) technology, in the EU and in China, to capture and store CO₂ emissions from coal-fired power plants by 2020.

⁸ The PRC does not recognise the International Court of Justice.

appear to be combined with growing military strength and military modernisation (Wang 2007; Buzan 2010). Huang Yingxu (黄迎旭), journalist at the Study Times newspaper, explained that China's dream also encompasses a military dream. As China's power is growing its responsibility in the international scene is growing too. The modernisation of its military forces is not just a matter of national protection but also international responsibility (Huang 2014).

Linked to the first genuine concern about China's intentions regarding global governance is the arms embargo. In the current political climate, because lifting the embargo might trigger an arms race in Asia, the issue has been separated from Human Rights (HR) and linked instead to security questions.⁹ The arms embargo finds its origin in HR issues connected to the events of Tiananmen. On the Chinese side, Western reactions to these events recalled historical and political concerns, such as the 'century of humiliation' and 'Western domination'. As a result, these sanctions have been pejoratively labelled 'HR diplomacy' (人权外交, *rénquán wàijiāo*) (Zhu 2008). Since the EU imposes arms embargoes on countries such as Zimbabwe, Burma/Myanmar and Sudan—but not North Korea—, the CCP makes a correlation between arms embargoes, mistrust and a lack of international recognition as a peaceful actor (Scott 2011; Council of the European Union 2012). Chinese scholars add that the embargo is merely symbolic; the CCP has, anyway, increased its military capabilities, technology and equipment.¹⁰

The EU member states are divided on how to untie the Gordian knot. Southern and indebted countries agree with lifting the embargo, particularly if they stand to benefit economically from their Chinese partners. France and Germany have been in favour of lifting it, although their positions have varied at different times (Laursen 2011). Even if the former HR/VP was in favour of lifting the embargo, it is unlikely that it would occur.¹¹ The opposition group is too large. The main EU member states espousing the embargo are the Netherlands, Denmark and Sweden (Hellström 2010). European officials argue that the ball is in the Chinese court. The EU cannot make further concessions while its Chinese partners still have not signed the Code of Conduct. Their signature could change the entire 'symbolic' picture.

While some European officials see no link between the dynamics of the Transatlantic relations and the embargo, others have stated the opposite. Arms sales are based on the EU Arms Code and the US exerts pressure on its European allies (Huang 2010). The current official American position in favour of maintaining the embargo is based on the HR record, regional insecurity and Taiwan's dispute—but the last element was not made explicit in the imposition of the embargo (Dai 2006; Hellström 2010). Yet, it seems that the Europeans will not be the first to make a decision of this magnitude; it will be their American partners. Nonetheless, the European leaders need to take into consideration public opinion too, which would

⁹ Interview with European Official (1), 29 November 2012, Brussels.

¹⁰ Interview with Chinese scholar (1), 17 October 2014, Shanghai.

¹¹ The conditions specified to govern the lift were as follows: upgrading of the Code of Conduct on Arms Export, improvements in the HR situation and security in the region.

probably react negatively to a viral headline such as ‘the EU lifts China’s arms embargo’.

Finally, the HR matter is the third main friction in the Sino-European political cooperation; this is a matter of genuine concern for Europe with regard to the CCP. HR lies at the heart of the EU’s strategy in foreign policy. Since the EU-China HR Dialogue was established in 1996, HR is still of supreme importance to China’s European partners. This was demonstrated at the 15th EU-China Summit *Joint Communiqué*, which dedicated an entire paragraph to it on the second page. HR is related to the Rule of Law. Because the PRC is a member of the UN Council for Human Rights, it has signed up to a wide range of HR treaties, ratified six of the nine HR binding instruments and voted in favour of HR Council resolutions such as ‘Human rights and international solidarity’ (A/HRC/RES/18/5), and officially accepted the universality of HR, etc.; hence the Chinese government must respect international law.

European concerns about China’s HR situation are being exacerbated by news of the resettlement of entire communities, for instance prior to the Olympic Games in Beijing (Economist 2008); violations of workers’ rights; and weak judiciary procedures with unclear separation of legislative, executive and judiciary powers (China Labor Watch 2014). The European Parliament (EP) often cries wolf about much publicised cases such as China’s dissident Ai Weiwei, and common practices—according to their sources—such as arbitrary detention, capital punishment and political and religious freedom (European Parliament 2011). Viorel Isticioaia Budura, director for Asia and the Pacific in the EEAS, clarified that the specific case of Tibet falls under ‘historical territorial recognition’ matters. The EEAS and Chinese officials discuss this topic in seminars, where the PRC can be acquitted by EU best practice regarding the recognition and respect of minorities and languages (Budura 2012).

Almost two decades after the establishment of the HR Dialogue, little has been achieved. This dialogue has taken the form of a case-by-case discussion and it has become no more than a talking shop. The procedure is essentially as follows: the Europeans present to their Chinese partners a list of individual cases based on information from international civil society organisations, primarily about arbitrary detentions and citizens living in re-education camps (劳动教养, *láodòng jiàoyǎng*). The list contains no more than 50 cases, although everyone is aware that China’s rehabilitation camps—the true number of which is unknown—are spread around the country and that around 200–400 people are living in each one.¹² The Chinese government is then supposed to follow these cases and provide evidence of improvement. While it is true that the situation of the 50 individuals might improve thanks to them being on the list, how worthwhile is it to have an HR Dialogue based on individual cases, particularly in view of the size of China’s territory and population? Is this discussion having a tangible impact on China’s overall HR record?

¹² Interview with European official (2), 11 December 2012, Brussels.

A bigger question mark related to HR strategy is raised when individual EU member states' governments do not strictly abide by the standards of due process and are swayed by political-economic pressures. One of the most recent cases was the international arrest warrant for Jiang Zemin, 江泽民 former President, and Li Peng, 李鹏 former Prime Minister, in which a judge from the Spanish National Court alleged genocide against the people of Tibet at the end of 2013 (Aljazeera 2013). The reaction of the Spanish central government not only cast doubt on the overall European HR strategy, it also created negative perceptions about the Chinese one-party government, which was described as repressive, dictatorial and unfeeling about rights issues and the rule of law (Reinoso and Garea 2014).

China's domestic transformation brings potential opportunities for Sino-European cooperation regarding HR. Additionally, the CCP is aware of the importance of addressing women and migrants, and environmental rights. In an attempt to improve its international image, the CCP has reduced the number of death penalties meted out (Vaïsse et al. 2012). It also plays a more active role within the UNHCR; evidence can be found in the resolutions adopted by vote on which the PRC was in favour. The Sino-European HR Dialogue could indeed contribute to an excellent platform for discussing and identifying solutions to, for instance, the labour rights of Chinese migrants, which would improve the situation for a large number of citizens instead of simply focusing on a few individual cases.

6 A Long-Distance Race for Economic and Trade Cooperation

Sino-European economic interdependencies have become increasingly robust over the past decades. The EU and China now form the second-largest economic cooperation in the world. The PRC has become the largest supplier of goods and the third-largest export market for the EU, and the EU is China's largest trading partner. As noted in Table 1, bilateral EU-China trade doubled between 2005 and 2013. Bilateral trade in goods was worth well over €428.1 billion in 2013 and trade in services topped €49.9 billion in 2012 (European Commission 2013a). While only 2 % of total EU services exports are accounted for by China, the field has a promising outlook: it grew by 16 % p.a. between 2004 and 2012 (Deutsche Bank Research 2014).

During the 10th ASEM Summit in Milan on October 2014, Li Keqiang pushed for China's proposal to build the Silk Road Economic Belt and the twenty-first century Maritime Silk Road (Beijing Review 2014). Maritime trade is vital: over 50 % of China's GDP and almost 90 % of EU external trade depends on shipping (Smieszek 2011). This figure is not small: any issue impacting maritime transport affects the industrial sector and the manufacture of goods. This situation illustrates the correlation between maritime security and trade along with climate change.

Investments are more important than ever for both partners. The EU is the world's leading host of Foreign Direct Investment (FDI); EU inward stocks accounted for €3 trillion in 2010 and its outward stocks of FDI amounted to €4.2

Table 1 EU-China bilateral trade 2002–2013

Year	Imports from China (€)	Exports to China (€)	Total (€)
2013	270 billion	158 billion	428 billion
2009	220 billion	80 billion	300 billion
2005	160 billion	50 billion	210 billion

Source Based on Deutsche Bank Research (2014)

trillion in the same year (Delegation of the European Union to China 2013). As stated in recent data from Eurostat, the main locations for EU-27 outward FDI stocks were Hong Kong, China and Singapore (Eurostat 2014). According to Jiang Shixue (江时学), the Deputy Director of the Institute of European Studies at the Chinese Academy of Social Sciences, ‘the EU is the most favoured [investment] destination of Chinese investors among all developed countries’ (Jiang 2014). China’s stocks of FDI in the EU-27 increased by 44 % in 2012 (Eurostat 2014). Chinese stocks’ increasing is perceived as a strategic movement to access technology, expertise and even brands.

According to Deutsche Bank Research (2014), however, Chinese direct investment accounts for less than 1 % of the EU’s total inbound FDI stock. China does not appear among the top ten investors in the EU-27: part of the Chinese outward investment might be routed via Hong Kong. The inward flow from offshore financial centres fell abruptly until it became negative in 2013 (Eurostat 2014). Data from China’s Ministry of Commerce in October 2013 showed that until the third quartile, China’s investment growth in the EU only accounts for 108.1 %, compared to 250 % investment growth in the U.S. (Lu 2014). Yet, the current amount of bilateral investment is extremely low with regard to two of the most important economic blocks in the world.

At the same time, the EU and the PRC cooperate in a wide range of other aspects to facilitate mutual investment flows and trade. Standards convergence has become a key element. European companies are constantly bleating about Chinese standard system and transparency. For this purpose, the China-Europe Standardisation Information Platform was created.¹³ Its main role is to make related technical regulations and standards more accessible. In November 2013, over 300 European Standards formed the basis for Chinese standards (European Commission 2013a). The EU Rapid Alert System for non-food consumer products (RAPEX system) is an effective market surveillance scheme, which was created to exchange information on products posing a serious risk to consumers.¹⁴ By using this system EU member

¹³ For more information look at: <http://www.cencenelec.eu/intcoop/projects/visibility/CESIP/Pages/default.aspx>

¹⁴ For more information visit: <http://www.eftasurv.int/internal-market-affairs/notifications/rapex-notifications/>

states are able to inform the Chinese authorities of dangerous non-food consumer products of Chinese origin identified in the EU market. Over 2,405 RAPEX notifications have been investigated by the Chinese authorities; out of these cases, 1378 export stops and products' manufacturer involved were investigated (European Commission 2013b).

At present, the second pillar, trade and economic cooperation, covers about 44 sectoral dialogues. They take place at various levels, from the working level to the ministerial level, and involve a range of participants including officials, politicians and businesspersons. The legal basis governing trade relations, however, is still based on the 1985 TECA. Attempts to upgrade the TECA were launched in 2006 with the Partnership and Cooperation Agreement (PCA)¹⁵ and a Free Trade Agreement (FTA). Negotiations have been stalled due to discrepancies between the mandates, the interests and the expectations of the parties.¹⁶

During the Summit of 21 November 2013 in Beijing, negotiations for a comprehensive EU-China Investment Agreement were formally launched. This agreement will replace the 26 existing Bilateral Investment Treaties (BIT) between 27 individual EU member states and China. In Chinese 好事成双 (*hǎo shì chéng shuāng*), literally means 'good things, when short, are twice as good'. Yet, overly high expectations from the BIT loom: carrying on two things at once is never easy. On the one hand, the BIT pretends to simplify and harmonise cooperation between the EU—and all of its individual member states—and the PRC, as well as remove market access barriers to investment, thereby bringing a high level of protection to investors in the EU and Chinese markets (Lu 2014). On the other hand, it should also open the door to relaunching negotiations for a FTA. Xi and Belgium's Prime Minister, Elio Di Rupo, stated that 'such a comprehensive EU-China Investment Agreement... envisage[s] broader ambitions, including, once the conditions are right, a deep and comprehensive FTA, as a longer-term perspective' in their summit statement of 31 March 2014 (Emmott and Guarascio 2014). A year ago, in the midst of the solar panels and wine trade disputes, it was simply unthinkable to talk about any free-trade deal. The BIT is seen as a precursor to a possible—and much needed—FTA. Discussions on an FTA may boost close ties. Both partners must indeed expand their trade ties; Europe's economy is barely growing and China's previous remarkable growth is decreasing.

¹⁵ The mandate to launch negotiations on this new agreement was approved by the Council in December 2005.

¹⁶ For more information look at http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

7 Effects of the Twin Crises on the Sino-European Relationship

The 2008 GFC triggered one of the worst economic downturns in contemporary history. The PRC is usually portrayed as the main beneficiary of the shift in global power (Schwartz 2009). China has become the largest economy in terms of purchasing power parity (ppp): the International Monetary Found stated in October 2014 that Chinese ppp amounted to \$14.4 billion based on per capita GDP, while the U.S. topped \$17.4 billion (Liao 2014; WallStreet 2014). China's Socialist Market Economy is still growing at a fast rates, particularly when compared to the EU's annual growth. Over 20 million Chinese households exceed the threshold of household income of \$13,500 per year (European Commission 2014a). The Chinese literature described China as saving capitalism (Liu 2009; Qiu 2012).

While the PRC has been perceived to be on an ascending path, the EU, on the contrary, has experienced difficult times. The Euro Debt Crisis is seen as one of the most challenging threats to the EU project itself. Barroso described the crisis in the following terms: 'It was a momentous stress test for the solidity of the EU and for the single currency' (European Commission 2014b). The GFC has evidenced a lack of political leadership and an inefficient response, to prevent or, at least, to make painless the downturn. At this juncture, institutional problems have been revealed by the supranational and intergovernmental duality.

In the wake of the GFC, a number of European commentaries have described the PRC as a possible 'saver' of the Eurozone. These opinions are based on the fact that the People's Bank of China (PBoC) held about \$3.82 trillion in foreign-exchange reserves at the end of December 2013: the world's largest reserve (Pi and Zhou 2014). Chinese officials have expressed willingness to take steps to resolve the Eurozone Crisis. Wen Jiabao, on a visit to Germany, affirmed that the country would support European efforts to solve its debt crisis through the European Financial Stability Facility instrument and the European Stability Mechanism. Wen, however, highlighted that the EU needs to put in all its efforts to clean the trash in its own backyard (Wang 2012). These comments show the critical views and doubts regarding China's long-term disposition to stand behind the EU.

Despite China's outstanding economic developments, its ascendance is shifting. The GFC has indeed slowed down its overall economic development (Overholt 2010; Yu 2010). Shen Xiaoquan (沈孝泉), senior editor of Xinhua News Agency World Issues Research Center, highlighted that the effects of the Euro Debt Crisis have affected the PRC differently from the overall impact of the GFC (Shen 2012). The crisis of global trade has emphasised the limits of China's export-led growth strategy and revealed the risks in terms of social and political stability (Bai 2014). It has also caused a slowdown in its economic growth from 14.3 % in 2007 to 7.4 % in 2014; for 2015–2016, the average growth is expected to ease to slightly above 7 % (World Bank 2014).

The consequences of the Euro Debt Crisis are mainly a decline in the import of products from China to the EU and a cutback in European investment and capital flow into the PRC. 'The EU-28 direct investment activity decreased in China down

from EUR 15.5 bln for the EU-27 in 2012 to EUR 8.2 bln for the EU-28 in 2013' (Eurostat 2014). China real economy and overall-export model has been affected and it risks becoming stuck in the middle-income trap. In turn, the CCP intends to shift its economic model to an innovation and services one (Xinhua News 2014).

8 Arm Wrestling: Endless Tugs-of-Trade War

While economic and trade relations have expanded, this has not been without frictions. Despite—or perhaps because of—the massive volume of trade, the two partners have a long history of mephitic trade disputes.

Since late 2006, frictions have become more prominent in the areas of unfair trade practices, the EU trade deficit and the implementation of international standards. In July 2007, Peter Mandelson, former trade commissioner, pointed out that the EU-China trading relationship was at 'a crossroads' and emphasised that China must meet its World Trade Organization (WTO) commitments (Beneyto et al. 2013). At the end of 2009, the European Union Chamber of Commerce in China published a report analysing the conditions of European business in the PRC. Among the obstacles, market access, legal and political transparency, and the protection of intellectual property rights (IPR) were highlighted (European Chamber of Commerce 2009).

The GFC has also given rise to recurrent European calls to the Chinese government for greater Chinese market openness and better access for investments. The European media regularly reports on the activities of Chinese companies in the European markets, i.e. buying up Portugal's former state-owned energy company (Vaisse et al. 2012). A negative image of China has consequently grown among the European public. On the Chinese side, it is argued that more beneficial economic cooperation could be achieved if Europe lowered its trade and investment barriers, as this would allow more investment from Chinese companies in Europe (Lu 2014). Authors such as Godement and Fow perceive that the Chinese leadership is taking advantage of internal European divisions to gain trade opportunities by using three different methods: taking advantage of the EU's open market, but with restrictions on its own; accepting sectoral dialogues, but becoming empty; and bargaining among member states and creating frictions within the group of 28. These methods fulfil their own needs, but jeopardise Europe's role and position.

8.1 Valuation of the RMB and Trade Deficit

Two of the most important and interrelated problems in current EU-China economic relations involve the valuation of the renminbi (RMB) and the growing EU trade deficit with China. European officials have stepped up their calls for a revaluation of the Chinese currency. In November 2007, Serge About, former EU ambassador to China, highlighted that the EU would 'demand Beijing take steps to address its swelling trade surplus and allow faster appreciation' of the RMB (South

China Morning Post 2007). The RMB depreciated by nearly 13 % against the euro at the end of 2007 (Freeman 2008). Since March 2013, the RMB has steadily appreciated and shown positive gains against the euro and USD but its competitiveness has weakened (Apoteker et al. 2013).

According to Jonathan Clark, FC Concepts' Vice-Chairman, the linear-like appreciation of the RMB shows that the PBoC is controlling the rise of its currency according to a determined plan (Euromoney 2013). During the weekend of 22–23 November 2014, the PBoC cut interest rates, and consequently, the RMB slid more in 2 months than it ever had previously and lost 200 basis points against the US dollar (IB Times 2014). Liang Hong (梁红), chief economist of China International Capital Corp, stated that Chinese regulators will not depreciate the RMB as this would simply deepen trade frictions with China's main international partners, trigger capital outflows and negatively affect the internationalisation of the RMB (China Daily 2014). According to a report published by Scotiabank, the RMB will steadily appreciate and the external surplus will remain a key driver of slow growth (Scotiabank 2014).

In turn, Europe's trade deficit with the PRC has become a political malaise. The EU is facing an ever-growing trade deficit with China. As can be seen from Tables 2 and 3, trade between the two partners is not balance (European Commission 2014a).

This problem continues to garner attention not only from bureaucrats in Brussels but also among the frustrated European public for whom China has become a negative symbol of unbridled capitalism. The perception that the exchange rate of the RMB appears to be at an artificially undervalued level and the impression that Chinese products benefit from an unfair advantage is obviously reinforced in times of crisis.

8.2 Conflicting Claims over Unfair Trade Practices

After the optimistic first years of China's accession to the WTO, interwoven trade disputes erupted over a range of sensitive items: textile and food safety, telecommunications equipment, solar panels and wine. Charges from Brussels have always pointed out unfair Chinese trading practices, while Beijing claims that European protectionism is a regular habit. The volume of affected trade is enormous, and at some points, it has seriously derailed Sino-European trade relations.

The 2005–2006 textiles and shoes disputes, the so-called Bra war, illustrated this type of friction. The clash began when the 30 years old Multi Fibre Agreement¹⁷ came to an end. Both partners signed a new quota system to limit the growth of Chinese exports of ten categories of products to the EU at 8–12.5 % per year for the period 2005–2007 inclusive (Dai 2006). As a result, 80 million garments were stuck

¹⁷ A quota system created to limit global clothing sales. The EU reserved the right to impose temporary limits on imports from China as a part of the agreement between the two sides on China's WTO membership.

Table 2 Total goods: EU trade flows and balance, annual data 2005–2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Imports	150,000	190,000	235,000	250,000	210,000	270,000	300,000	290,000	270,000
Exports	50,000	60,000	70,000	75,000	80,000	105,000	140,000	145,000	150,000
Balance	100,000	130,000	165,000	175,000	130,000	165,000	160,000	145,000	120,000

Source European Commission (2014a)

Table 3 EU-China trade import and export balance 2013

EU-China trade import and export balance 2013						
Indicator	Unit	Period	Imports	Exports	Total trade	Balance
Last year	Mio euros	2013	280,095	148,297	428,392	−131,798
Share in EU trade	%	2013	16.6	8.5	12.5	
Annual growth rate	%	2012–2013	−4.1	2.8		
Annual average growth rate	%	2009–2013	6.8	15.8		

Source European Commission (2014a)

in European ports because of complaints by European textile manufacturers about the flood of cheap Chinese-made goods, even though the retailers were European and had already paid for the products made in China (The New York Times 2005). Dai Xiudian (黛秀典), professor at the political and international department of the University of Hull, considers that this type of dispute illustrates the EU's inconsistent rhetoric: China must comply with WTO rules and commitments, while the EU simply imposes quantitative restrictions through antidumping measures (Dai 2006). Finally, the dispute came to an end in September 2005 during a visit to Beijing by Tony Blair, former British Prime Minister, who held the rotating presidency of the EU at that time (The Telegraph 2005). As Barroso expressed: 'only when there is a strong trade relationship are there trade problems' (Barroso 2005).

The latest wave of trade disputes started in September 2012 with the solar panel case, when a German manufacturer brought the quarrel to the European level and, accordingly, the European Commission launched an anti-dumping investigation into Chinese photovoltaic manufacturers. The roots of this dispute started in late 2000 when the Chinese government facilitated capital equipment, land and regulatory provisions permitting to boost a scale-up of manufacturing. Consequently, a boom in the construction of PV modules and a decline in demand from European countries—Germany, Italy and Spain—caused market disruption (European Photovoltaic Industry Association 2014).

During the first semester of 2013, the EU and the PRC clashed over an anti-dumping and anti-subsidiary investigation becoming a major issue: this involved around €21 billion of Chinese solar panels sold in the EU. Gucht, former Trade Commissioner, stated that the European Commission 'could not accept a situation where Chinese dumping would destroy the European solar panel industry' (European Commission 2013c). The EU member states voices, however, were contradictory: France, Italy and Spain wanted to apply punitive tariffs on Chinese PV, but a greater number of member states—led by Germany—were against these measures (European Council on Foreign Relations 2014). During Li Keqiang's visit to Berlin in May 2013, Merkel stated that her government would make all the effort it could to head off special duty on Chinese solar panels (South China Morning Post 2013). In July 2013, Gucht announced that an 'amicable solution' had been reached

between the leaderships: ‘a voluntary price undertaking where they [Chinese] commit to stop dumping and keep prices above certain floor. In turn, those companies who participate in this engagement do not have to pay the anti-dumping duties’ (European Commission 2013c). The agreement was officially signed between EU exporters and the Chinese authorities in March 2014. This price will be in place until April 2016; in exchange, China will not impose anti-dumping and anti-subsidy duties on polysilicon exports to China.

The European sanctions against Chinese PV production triggered an investigation into European wine manufacture. The Chinese reaction was based on the notion that since the European Commission subsidises agriculture, the wine sector should be subsidised too (Finance Tecnet 2013; Global Times 2013). Turning the trade dispute on its head provided a valuable lesson to the European leaderships and manufacturers. This quarrel did not reach scandalous proportions, and in March 2014, both the European and the Chinese Wine Federations solved the dispute by signing a Memorandum of Understanding and withdrawing the anti-dumping and anti-subsidy complaint (EURObiz 2014). The last case to de-escalate the past two years’ trade frictions concerns telecom equipment. In mid-October 2014, the long-running dispute over the annual €1 billion of imports by Huawei and ZTE was resolved. Gucht indicated that both sides had reached an agreement and that the rest of the commissioners would be asked to drop the case (Reuters 2014).

In spite of sporadic disputes, overall trade cooperation provides an incentive for cooperation. Both leaderships are willing to engage in discussions. Fredrick Erixon, director of the European Centre for International Political Economy, and Nicola Casarini, Asia expert at the European Union Institute for Security Studies, defined Sino-European trade cooperation as ‘too big to fail’ (Domínguez 2013).

9 Conclusions

Both strategic partners recognise themselves as important powers in the twenty-first century. The geographical, political and financial scale of both has turned into an essential bilateral relationship to deal with international affairs, tackle global challenges, and, even more importantly, overcome domestic threats.

The Sino-European partnership is described as having great *momentum*. Political ties are enhanced: collaboration in traditional and non-traditional issues has increased. Security matters have generated new areas of cooperation such as maritime security, the management of humanitarian crises and CC. A willingness to deepen cooperation is in place but domestic contexts lay down economic and political guidelines, if necessary, define the limits of this cooperation. Nevertheless, the main pillar in this bilateral relationship is still the economic interdependencies and large trading volume. Since the GFC blew out, China’s ascendance has been highlighted, while the Eurozone is still avoiding drowning in its own debts. The effect of the GFC on the international order, however, has affected both partners: EU investment in the PRC and demand for Chinese goods have both slowed in the

past years. The GFC has witnessed the need for both partners to strategically work together to overcome the downturn.

Despite their political willingness and economic interdependencies, the trust deficit—particularly among public opinion—remains an enormous constraint. Different historical conceptions, values and political systems are in place. Their way of thinking and the way in which their policies have been shaped are imbued with past history. Yet, frictions exist between the partners: HR and trade disputes are on occasion mentioned. European claims about the need for China to build a transparent and more democratic government are still fundamental. Nevertheless, empirical studies show that trade cooperation sometimes takes precedence when there is a conflict of values.

This chapter argues that most likely attempts to further formalise cooperation at the high level will develop win-win strategies and use dialogue to solve disputes. No longer can either partner afford to consider that their disputes do not affect their domestic development and create unstable situations on the global scene. Nevertheless, if political and economical frictions fail to be understood and solved, the relationship will run the risk of cooling again. In Confucius' terms, 不怕慢,就怕站 (*bú pà màn, jiù pà zhàn*), which means 'slow processes hold promises, but simply standing will bring failure'.

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India's Rise, the European Union and the BRICS: An Uneasy Relation

Johannes Dragsbaek Schmidt

Abstract

The aim of this contribution is to provide an assessment of the current diplomatic and strategic relations between India and the EU. It shows that there are fundamental deficits on both sides—most of them domestic—that impede their explicit or implicit foreign policy, security and global projections as well as their abilities to work together effectively. The first section gives a brief introduction to the present international crisis and discusses India's endeavor to become a Great power. The second provides the theoretical and conceptual tools for the analytical framework and its implications for the study of India's foreign policy. Third, the paper explores the institutional base of recent shifts in India's foreign policy. Fourth, the focus shifts to the geo-political and security relationship between India and the EU and asks why no real engagement is taking place. Fifth, it provides an understanding of the strategic partnership and discusses whether a rising India needs a Europe in decline. Sixth, it offers some tentative remarks on the recent shifts in interactions between the core players and the BRICS in the emerging world order and how these changes impact the India-EU relation. Finally, some concluding remarks are offered.

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1 Introduction

The world economy is in peril and has entered a state of “depression economics” (Krugman 2009). The global crisis has significantly changed the previously defined geo-political world order to one where geo-economics take precedence. Indeed it is a delicate moment especially for those who believe in a quick fix to the sovereign debt crisis in Europe and a fast or gradual recovery from austerity.

What started as a private sector crisis in the United States (US) with excessive borrowing and lending by private sector-based financial entities such as banks and hedge funds quickly escalated to Europe where it turned into a public sector debt crisis and “the major advanced economies remain deeply depressed in a scene all too reminiscent of the 1930s” (Krugman and Layard 2012). Many observers proclaimed the end of the neoliberal phase of capitalism but with the continuing refusal to tax the rich and the financial sector and powerful neo-liberal elites still pushing for austerity policies and putting a fiscal squeeze on government spending European government’s turned to a beggar-thy-neighbour policy. After having bailed out the financial sector several times with tax-payers money it seemed that the European Union (EU), US, Western media conglomerates and financial elites in the immediate aftermath of the crisis moved their expectations towards the BRICS and Japan to save them and the world economy from agony.

As Ha-Joon Chang opined in the *Guardian*, (11 Oct. 2011): The answer “is a definite no”. Not even China would have been able to save the world economy from sinking. With 8.5 % of the world’s output in 2011 it did not have enough economic muscle to act as the new market for global exports. On the contrary China accounted for only 9 % of global import demand and half of that consisted of raw materials and intermediate goods required for processing into exports. India and Brazil, accounted for 2.2 and 2.7 % respectively, of world output, while South Africa, with 0.5 % obviously could not act as demand primer either. All these countries also suffered from a variety of development and equity related problem and could not in any way be seen as financial saviors buying up bonds or otherwise becoming partners in solving the global crisis and overproduction problem.

When India pledged \$10 billion to the IMF’s European Rescue Fund at the G20 meeting in Mexico 2012 many people could not believe what they heard. However, Delhi’s reaction to the Eurozone limbo was similar to other BRICS countries who had promised a total of 75 billion because it was deemed necessary to find a cooperative and multilateral solution to resolve this crisis. Interestingly, the sovereign debt crisis in Europe not only changed the “external perception of Europe from a zone of wealth and stability to a continent in crisis looking for handouts from

abroad” (Muenchow-Pohl 2012a: 9) it also became a turning point in the emergence of a new embryonic world order. In fact, the crisis became the final signifier of the impression in Delhi that “Europe ranks at the bottom of the list of partners in India’s multi-polar understanding of the geometry of world affairs” (Sachdewa 2008: 362; Fioramonti 2007).

The financial crisis in Europe was further exacerbated with the EU, US and NATO backed toppling of a democratically elected government in Ukraine in 2014 (Whitney 2014) and subsequent confrontation with Russia. This challenged the level of solidarity among the BRICS and did put India’s newly elected Bharatiya Janta Party (BJP) led government to a test. In the end the BRICS gave support to Russia over Ukraine and abstained in the UN General Assembly Resolution criticizing the Crimea referendum. Whether the conflict in Ukraine will spell an end to the long period with “economics in command” in geostrategic terms remains to be seen but combined with the economic paralysis in Europe it does impact the rise of India as an emerging power as well its insertion into what Ikenberry (2006) has described as the new polycentric global governance system (Ikenberry 2006).

1.1 Where Does India Fit in?

Although India has experienced high growth rates in the last two decades it has also struggling with high inflation. This is partly attributed to Europe’s sovereign debt crisis, food inflation in double digits, a political system attempting to come out of paralysis and major problems related to increase its growth potential. At the same time there has been much internal debate about India becoming the next regional power or “Great power” by catching up with China, EU and ultimately what is perceived as a declining US hegemony. The debate in Delhi reflects a wish to find India’s rightful position and status in the evolving structures of global governance (Mukherjee and Malone 2011). However, there are four immediate domestic constraints related to security and foreign policy that need to be solved before India can strive for Great power status (see also Khilnani et al. 2012: Chap. 4):

The first issue relates to the urgent need of land reforms, tax reforms (with one of the lowest tax bases in the world where only 3 % of Indian citizens pay income tax) (Vaidyanathan 2013); and a more legally based and formal mines and mineral development plan (Lamont FT. 28 Sep. 2011a). In the last instance the Indian government has made dramatic errors with illegal exploitation of the environment and alienated rural tribal communities. This has threatened stability and nation-building and thereby exacerbated domestic security problems. Furthermore, in a country with more than 30 % of the population struggling to survive below the official poverty rate of less than 2\$ a day it is a question whether India should prioritize its excursion into the foreign sector or devote greater resources to solve its own development problem first. It is also a moral and ethical problem.

The second constraint is the severe corruption among politicians and the elite dominating Indian politics. Abusing the “state’s power of eminent domain, its control of infrastructure contracts and its monopoly of natural resources” (Guha

FT. 20 July 2011) has become the order of the day and a ‘business-as usual’ strategy of the elite to enrich themselves. The examples are legion: as mentioned looting of mineral resources; graft in connection with the Commonwealth Games in New Delhi; underpricing of mobile phone contracts and property scandals. The scale and ubiquity of these problems is unprecedented. The corruption problem cannot be isolated from the impact of current neo-liberal reforms and retrenchment of the already small state—where politicians, editors of major media conglomerates and the financial elite interests collude and create a climate of abusing public resources.

Thirdly and although there have been no recent communal massacres between Hindus and Muslims and no wars with regional rivals like nuclear armed Pakistan the communal, ethnic, religious and separatist problems are still unresolved. The BJP who won elections in 2014 came to power on an anti-foreigner platform and the New BJP Prime minister Narendra Modi allegedly used anti-Bangladeshi rhetoric during election campaigning and also used anti-muslim and anti-Pakistan slogans and thereby appealing to *Hindutva* (Hindu nationalism). The question is whether this is the first move towards an “All Hindu vision for India” with grave consequences for multi-cultural and secular India. The issues related to tribal land and caste especially the Dalit also remain an obstacle for the establishment of justice and democracy; and communal and national identities and religious upheavals may threaten so-called ‘good governance’ and peaceful solutions to development problems. These issues may be perceived as a greater threat to security and stability than any perceived foreign threat at the moment.

Finally, the political class, academic and media establishment in Delhi can best be described by its obsession with China and definitely not Europe. The relationship between Asia’s two great powers and partners, India and China, in the BRICS and Shanghai Cooperation Organization (SCO) may be characterized as one of global cooperation on transnational issues especially vis-à-vis the “West”, geostrategic rivalry at regional levels in the form of growing commercial competition and in some cases bilateral cooperation, growing trade relations and some unresolved security issues (Schmidt 2014a, 2015). These contradictory processes are complicated by a degree of political cultural and historical asymmetry. China does not appear to feel threatened by India while the Indian political class seems to project a sense of insecurity in coming to grips with China’s rise in the world system (Bajaj 2011; Malone and Mukherjee 2010: 137). Neither of the two emerging economies has developed a grand strategy towards the other. Two observers describe the current state of affairs as “China is a more fraught subject in Indian national debates than India is for China” (Malone and Mukherjee 2010: *ibid*).

With some of the world’s highest levels of inequality and weak prospects of reconciling growth with equity in both countries make their ascendancy fragile and filled with uncertainties. Seen in this light, it is indeed questionable whether they are able to even want to reconfigure the international order with their accumulating might (Jha 2010) although recent events related to the attempt by the EU and US to isolate Russia may indicate this is changing.

On the other hand, growing trade links can in a liberal perspective reduce the chances of a military conflict. China has become India’s biggest trading partner and

has created almost overnight a pyramidal trade structure with growing trade and geo-political relations in Northeast, Southeast and Southwest Asia in an attempt to overcome the inevitable import squeeze, growing protectionism and new security threats emerging out of post-depression Europe, and the US. Whether this evolution will satisfy the realist hardliners and China bashers (Lamont FT 6 September 2011a) in New Delhi remains to be seen but these factions continue to influence foreign policy decisions and the regional Asian arms race will persist or may even increase as long as there is a lack of political will and a lack of diplomatic pragmatism, to embrace and enhance reconciliation and real people-to-people exchanges, tourism and land-based trade between China and India.

Having said this, contours of a more pragmatic and less confrontational relationship between India and China seems to be emerging, not least due to their increasing economic exchanges. Both the previous Congress-led government and the present BJP-led government in Delhi 'prioritizes' functional relations with Beijing including efforts to continue with confidence-building measures and military-to-military trust and bilateral defense interactions.

India and China seem to acknowledge the need for a polycentric and multipolar Asia, a major point they share with the EU, but not the US, and they show a gradual, albeit, slowly increasing interest in providing collective goods in the regional and global arena and sharing responsibilities. The important mutual relationship between China and India does not by definition need to be based on a zero-sum game if the political elites of both countries show enough sophistication in India and China's ascendancy in the world system. The same can be said about the EU-India relationship where the greatest impediment has to do with India's own domestic problems related to equity and political power dynamics and ability to create societal cohesion and consensus and not least lack of 'political will' (Muenchow-Pohl 2012b: 39). The latter is an outcome of inbuilt animosities against the former colonial powers in Europe and a shared wish to shake off any "Eurocentrism" in India's foreign policy (Brunatti and Malone 2010: 244).

In this context the shifting geo-political and geo-economic global order is gradually moving away from the traditional strategic triangle of Europe, the US and China to the conflictual, competitive and sometimes contradictory triangular relationship between India, China and the US (Schmidt 2014b). Russia is the remaining 'brick in the wall' and the current conflict between the Kremlin and "the West" in Ukraine may mirror a more fundamental confrontation between a fading Western hegemony and a new emerging multipolar world order. This is raising a number of questions. What are the implications for India's foreign policy? What are EU's responses to India's ascendancy and perceived aspirations to play a larger role in world affairs? This question is linked to what some observers see as a tendency away in the EU from norm-based foreign policy towards normalization of a realist foreign policy based on a coherent strategy and wish of the European political class to become a world power? Finally, how to conceptualize this relationship and where do the BRICS fit in? In this case two international organizations—the EU and the BRICS—are compared with a nation-state—India—which is also affiliated to the BRICS.

2 Conceptual Notes About CPE and the Comparative Perspective

Critical international political economy (CPE) gives a non-positivist and unconventional perspective on international relations. It is an attempt to open the field of IR (Strange 1970) and focus on the unevenness of the international system and its consequential structural hierarchies of the distribution of inequalities and injustice in geo-economic and geo-political power (Peterson 2003: 3). Needless to say CPE is not only a critique of positivism, rationalism and problem-solving theory (Cox 1981) it also entails an entirely new conceptual framework which contributes to a more non-dogmatic and nuanced understanding of foreign policy and international relations. In contrast to mainstream IR thinking, in generic terms, CPE suggests that different governments, at least in countries with democratic elections, have a variety of options both in defining and refining what ‘national interest’ means, how security and threats are perceived, and which ideational and other factors shape geo-economic and geo-political relations to other countries and international organizations like the EU and the BRICS.

The CPE approach does not essentialize the state as a pre-constituted entity or a ‘black box’ of “national interests” interacting within anarchical international relations. Rather, CPE seeks to understand ‘forms of states’ as ‘state/society complex’ and asks how the prevailing order has come about and how it is changing. It is the interplay of particular configurations of contending social forces and alliances, including attempts at integration of a variety of class interests that defines ‘national interests’ and characterizes inherent contradictions in the historical structure. The aim then is to explore the boundaries of the state or states in an organized form either as group or more committed organization in its current conjunctures, its historical dynamic and the process of social change. This perspective seeks an understanding of the underlying and prevailing tensions between geo-politics and geo-economics in foreign policy. It is important to ask “who defines national interest” and “who has the power to change it”?

The CPE approach to foreign policy has a normative commitment—seeking to analyze phenomena through empirical evidence with an explicit theoretical purpose—and focus on the actual interplay of domestic and international agents and structures. Foreign policy decisions are made by agency but always within a set of structural constraints. Critical accounts of foreign policy pursue a holistic view of politics and avoid the pitfall of seeing politics as only involving so called “balancing” between governments and state actors. It is furthermore necessary to understand the constitutive and purposive nature of knowledge and question whether it serves particular interests as Cox famous dictum stresses: “Theory is always for someone and for some purpose” (1981: 128). Finally, CPE leaves room for alternative ideas and visions and includes a developmental and socio-economic perspective in foreign policy. Policymakers are constrained by societal contexts, but equally they do make decisions and are able to establish elaborate critique and policies against the current (Williams 2005; Hay 2002). This type of approach constitutes a holistic and open ‘state/society complex’ conceptualization and

includes other relational interests, private, corporate, military, and civil society which may potentially impact foreign policy outcomes (Cox 1987; Sen 2010). Therefore the analysis must be based on an approach which seeks to explain the interrelated variables, inconsistencies and disruptive effects of India's dramatic rise and insertion into the global political economy and its relationship with the EU and role in the BRICS.

3 Implications for India's Foreign Policy

The main objective of this section is to examine the implications of the major shifts in foreign policy of India and secondly to identify epistemic actors, social forces and ideational factors influence on foreign policy. Despite the four major constraints mentioned in the introduction India is striving for a hegemonic position or regional great power status and attempting to become an emerging pole in a new multipolar and polycentric world system. This struggle comes in different forms, sectors and variants and is in many cases intertwined geo-political and geo-economic endeavors. It is not always possible to distinguish between traditional securities related rivalries or mere state based, civil society or private sector based competition or cooperation. The unfolding of India's rise is being played out in light of the wider global arena where also the interest and geostrategic objectives of the US, China and to a lesser degree the EU must be taken into consideration. There are domestic and external constraints as well on the evolution of India's foreign relations.

3.1 Changes in Foreign Policy

The end of the Cold War and the liberalization of the Indian economy after 1991 signaled the beginning of a third phase in the country's development trajectory. Along with security, India's national objectives now emphasized economic growth and domestic development, search for international status and a role befitting a rising power, changing relations with the major powers (especially the US and China), participation in regional and global organizations and fora, and non-traditional security concerns especially countering terrorism. In parallel with the changes of foreign policy there have been expanding influences of domestic think tanks, journalists, and academics who also have been promoting new scholarship on international relations (IR) (Alagappa 2011).

IR debates in India have focused on whether India's insertion into the world system can happen without disrupting the world order. Realists are vehemently arguing that India's rise will inevitably lead to conflict with China (Pant 2012). Liberals argue that trade, cooperation and participation in regional and global institutions ultimately will benefit India's modernization goals and in the end reduce the prospect of conflict and war (Kumar and Kumar 2010). Social constructivists argue that the process of cooperation will change India's ideational

position and make it a valuable member of international society with a *status quo* orientation. This will facilitate the prospects of peace and tranquility and benefit a gradual expansion of economic growth, influence and consequent rise of India on the world scene (Singh 2013).

In contrast to the dominant neo-realist state-centric view and the market-driven liberal approach recent changes illuminate the need for a more critical, pragmatic and situationalist approach to foreign affairs in Delhi. As one observer notes: “India has constantly surprised itself and the world with its capacity for thinking on the run and generating major unexpected breakthroughs” (Mohan 2009b: 11). The claim is that this was the outcome of the existence of a tiny, informal and consequential epistemic networks spanning the full spectrum of the Indian elite opinion and acting as the vanguard of India’s new foreign policy. This observation may be correct but historically speaking changes of government through elections also profoundly influenced major external policy priorities and ‘national interest’ has been redefined according to a number of other factors as well.

During the last few years, however, senior officials increasingly have referred to ‘balance of power’ in positive terms openly acknowledging a more pro-active interest in a ‘multipolar Asia’. Similarly, Manmohan Singh’s speeches began to highlight the democratic identity of India in world affairs and references to the nation’s ‘responsibilities’ as a rising power, as opposed to the traditional emphasis on ‘strategic autonomy’. Much of the new usage has been promoted by media columnists and found its way into official speeches by ministers (Mohan 2009b: 159).

The reformation of India’s security sector, the upgrading of its IR studies, the modernization of its think tanks, and the globalization of its media have been necessary to create an effective ‘foreign policy software’ for India (Markey 2009). It is important, however, to note that such a reformation would not be, and cannot be, led by the government in New Delhi. It would be unrealistic to expect India to do the same as China has done by its ‘top-down’ creation of think-tanks by decree (Mohan 2009a: 161) but today in 2014 the situation has changed. It is well-known that there a number of complex ideational factors which spin into the decision-making processes regarding the external sector especially but not exclusively in the immediate neighborhood. This is related to the absence of a national security doctrine and lack of a comprehensive bureaucratic apparatus which makes foreign policy largely ad hoc and reactive (Routray 2013: 2). This vacuum may partly explain the influence of the direct and indirect pressures from the Muslim population in dealings with Arab and Muslim countries like Pakistan and Afghanistan (Schmidt 2014b: 208) while regional ethnicities like the Tamil population in the South have influenced policies towards Sri Lanka, domestic politics in West Bengal dictated foreign policy towards Myanmar and Bangladesh and cross-border tribal, separatist groups and the Naxalites challenge security and policies in the centre with spillover effects on foreign policy decision-making (Routray 2013: 8). The importance of domestic politics may also partly explain the “underwhelming” relationship between India and Western Europe as it “evoke a history of empire, exploration, and geopolitical tensions” (Brunatti and Malone

2010: 341). India-EU relations do not appear high on Delhi's foreign policy agenda. It seems obvious that due to historical reasons, internal constraints, regional emergencies and rivalry-cum-cooperation with China in South Asia and the rapprochement with the US has left the India-EU 'partnership' in troubled waters. Europe on the other hand is struggling to come out of its economic stalemate and a paralyzing conflict with Russia over Ukraine but also needs to overcome its "civilizing mission" teaching others how to comply to European norms and lessons (Jain 2014: 13). However, as one commentator notes: "the EU certainly does not have it easy. Protectionist trade unions, a coalition of 27-member states with divergent priorities, and a convoluted internal decision-making process do not make for quick results. In this regard, India is Europe's doppelganger. Cumbersome coalitions, powerful civil society organisations and conflicting interests amongst political constituencies are also a hallmark of the decision-making process in New Delhi. But European officials rarely acknowledge these parallels, choosing instead to unreflexively disparage India for faults the EU itself can be charged with" (Aiyar 2009; Brunatti and Malone 2010; Jain 2014).

4 India-EU Geo-Politics and Security Relations

The growing body of literature about ties between India and the EU shows that there is no deepening of policy substance in diplomatic and especially security relations, only talk. One observer describes it as, there being no real strategic partnership whatever that implies since the concept itself is blurred and has no clear definition (Jain 2014). There is no de facto reciprocity between the two entities, and EU's foreign policy towards India or rather lack of a real coherent strategy may be partly explained by the limited capacity and power of EU institutions; the competition and disunity between EU member states; and unrealistic expectations about India where the facts on the ground show that there are fewer, and in some cases, no shared security concerns. This is neatly illustrated by Muenchow-Pohl who states: "India and the EU share common objectives, but these relate more to general principles for the global order than to details and deliverables. Geo-political distance and each side's preoccupation with its own neighborhood contribute to a lack of genuine shared interests—aside from the fight against terrorism and piracy" (2012b: 2). Seen in this perspective bilateral ties between Delhi and Brussels may best be characterized as "lethargic" and this has "weakened the strategic value of this under-delivering partnership. There has been a clear gap in perceptions and priorities" (Khandekar 2012).

It may seem fairly obvious that India's limited political, diplomatic and strategic relations with Europe left the relationship to rely on trade and economic exchanges although they have also been shrinking over time (Brunatti and Malone 2010). The EU is India's second biggest trading partner but rapidly declining vis-à-vis other trading partners. The lack of security dialogue may also be explained by the fact that the EU is not a rational actor but "more of a security community" and "though

both India and Europe have shared values, they face different security contexts and do not have shared threats” (Jain 2005: 5).

While the original template for a European security policy based on “effective multilateralism” or so-called “rule-based global governance” may be seen as a shared value between the two partners they don’t seem to share similar geo-political priorities. The reality shows fundamental disagreements persist regarding multilateral issues and different views about trade/WTO, global labor issues, G20, climate change and perceptions in India about the benevolent “colonial discourse” of EU negotiators and politicians when it comes to human rights and security and conflicts in South Asia. There is a clear perception in Delhi that the EU is “lecturing” and utilizes a prescriptive approach and even worse attempts to meddle in conflicts in Kashmir, Nepal, and Sri Lanka. This is seen as a reductionist approach of internationalization. The EU view is perceived as hypocritical and perhaps with good reason so why should India aspire to advocate democracy and human rights abroad. The same applies to EU reluctance to condemn terrorist actions on the India-Pakistan border and even support American promotion of a pro-Pakistan foreign policy. India’s critique is also related to the provision of GSP (generalized scheme of preferences) to Bangladesh and Pakistan to the detriment of Indian companies. In short, “there is a lack of political and economic attention from the EU toward India” (Wülbers 2011: 5).

This is further illuminated at the global governance level, where significant disagreements persist between India and the BRICs on the one side and on the other the EU and the US. Issues relating to maritime security, national sovereignty in Libya, and Iran, and Delhi’s position regarding the crises in Syria and Ukraine, clearly shows its adherence to the ideal of non-interference. This is even more so with regard to the concept of the right to protect (R2P) and other human rights issues and more fundamentally there are still different threat perceptions in dealing with the Iranian nuclear issue and the Arab Spring (Khandekar 2012: 4). Indeed the EU has been viewed in certain cases through the prism of NATO and is thus in many cases seen as interventionist. This has consequences for maritime cooperation in the Indian Ocean, implementation of the R2P and not least India’s claim to a permanent seat in the UN Security Council. The EU’s lack of internal consensus on the matter does not help and the EU requesting more concrete commitment to multilateralism from India (Peral and Sakhuja 2012: 10) has de facto not lead anywhere.

Formal and bilateral relations may sometimes be seen as a “loveless arranged marriage” where joint action plans appear to be a “laundry list” with “no deliverables”, “no goals” and “no timelines”. A long-term observer concludes that there is ‘no real progress’ but ‘growing pessimism’ when it comes to security (Jain 2012). Brussel’s role has largely been vague attempts to conduct ‘supplemental diplomacy’ with bilateral cooperation between its larger member states and India continuing to dominate key aspects of the Indo-European relationship and in this way adding ‘to the thrust of the bilateral diplomacy of its member states. That all EU member states are neither in the Euro zone nor in the Schengen area

illustrates the point'. Nonetheless, increasing ties between non-state actors may challenge theoretical predictions, academic work and policymakers.

4.1 The Blurring of Foreign Policy

It is power itself which is becoming more diffuse, diffracted through an increasingly complex, prismatic structure of socio-economic forces and levels of governance. The result is a hollowing out of the state, and in this case the EU, but probably also gradually India even if the state maintains a monopoly of the means of violence over its territory. This process gives space to a plethora of actors and institutions—not least productive and especially financial capita—capable of influencing foreign policy and social change. Transnational issues—or what is sometimes termed non-traditional security threats—including climate change, terrorism, cyber-warfare, pandemics, rush to secure energy and resource supplies, and difficulties in sustaining multilateral focus in trade and on economic issues through the completion of the Doha Round all lead to bilateral or domestic decisions based on elite interests and class-based interpretations of the “national interest” and in other cases other actors and issues may impact decision-making in relation to the external sector. These processes altogether open up the foreign policy field and ideally speaking, denote a myriad of actors and influences from formal organizations such as transnational corporations to advocacy networks and think tanks ‘epistemic communities’ (networks of individuals and/or organizations based on authoritative claims to consensual knowledge) who may or may not influence foreign relations and decision-making.

In the end, the blurring of levels of ‘sovereignty’ and ‘non-intervention’ sanctioned by socio-political conflicts—internal and external to the state—concerns the classic problem in international political economy: ‘Who gets what, when, where, and how’. These changes are apparent in India and even more so in the EU where people-to-people relations appear to be in better shape than India-EU and direct government bilateral relations. There is a whole variety of social movements, civil society and trade union links, dialogues and collaborations across the two entities in many cases running counter to official policies and suggesting alternative agendas. These activities do not only occur as a backdrop to official EU-India Summits or ASEM (Asia-Europe Meeting) activities but are independent and may increasingly be seen as inter-regional lobbying and pressures on the conduct of official bilateral relations between India and the EU.

Resistance against the FTA (Free Trade Agreement) has not only come from INGOs such as Oxfam, Médecins Sans Frontières as well as Unitaid but also from a great number of social movements and independent civil society based organizations like AEPF (Asia Europe People’s Forum) who challenge the neo-liberal trait of the FTA. These attempts to resist and influence foreign policy and diplomatic relations between India and the EU are not new but illustrate the need to rethink the equation and context and especially the challenges towards the norm-based official rhetoric of the EU as hypocritical and filled with double-

standards. Resistance against the EU-India FTA has also been fierce in India from trade unions and civil society groups and also from a broad spectrum of domestic market-based business and private companies such as vendors and small traders who stand to lose from the conclusion of the trade agreement.

To be fair there has also been substantial progress in the past in strengthening people-to-people contacts through the EU's India window of the Erasmus Mundus scholarship program, scientific and technical cooperation, trade exchanges and two-way investment and EU assistance through partnerships with a number of Indian states and use of EU funds for supporting Indian government programs on health and education (Abhyankar 2009: 400).

5 Does India Need Europe?

India's economic relationship with the EU is not free from problems. Despite the intent of the FTA which has been changed to a Bilateral Trade and Investment Agreements (BTIA) to enhance trade, investment and create jobs there are many serious structural problems with the implementation in the domestic context and it cannot in itself be seen as a building-block in the ongoing potential partnership relation between Delhi and Brussels. Even if the FTA is viewed as a step forward in the partnership in the near future, seen from private capital's perspective, the development of an effective strategic partnership cannot be made conditional on the successful negotiation and implementation of the FTA (Peral 2012: 9).

The EU has strategic partnerships with each individual BRICS member (+Japan and Mexico) or what is euphemistically termed 'emerging states' but they all fail to deliver substantial results at the politico-strategic level. In the case of India the partnership has been supplemented with a Joint Action plan but has not improved the process and lack content. It seems that Washington has been more successful in its pursuit of a robust foreign diplomacy focused on security while "the EU has made little attempt to address India's new concerns in the changing international environment in stark contrast to the United States which has sought to take full advantage of the opportunities presented by India's necessarily changed relationship with the Soviet Union and its major successor state Russia" (Allen 2012).

Clearly, the EU sees the strategic partnerships as reinforcing multi-polarity, a perceived cardinal pillar of the international system. Some major items still omitted from the India-EU strategic partnerships are (Abhyankar 2009: 401):

1. Acknowledging India's centrality and regional role in south Asia; it ignores India's equally important relations with ASEAN (Association of Southeast Asian Nations), North, West, Central and East Asia.
2. The area of defence/military cooperation does not find a mention even though India has the third largest active army in the world and the largest paramilitary force numbering 1 million. The acknowledgement of India as a non-NPT (Non-Proliferation Treaty) nuclear power and one of the largest importers of

defence material would positively promote positive cooperation and exchanges in this sector.

3. Despite India's strong interest in combating terrorism, cooperation in this sector has still to develop.
4. Mention of cooperation in non-proliferation given India's impeccable record in this area would spur civil nuclear cooperation at EU level.

One explanation for these omissions is that foreign policy priorities in the EU never followed the template of neo-functionalism but were based rather on inter-governmentalist logic. Today foreign policy in the EU has returned to nationalist government priorities and does no longer take any common or coherent precedence at regional level, not only because of the financial crisis in the Eurozone but also because of sharp divisions among member-states over key issues such as support for Arab dictatorships before and after the Arab Spring, the divided stand on the Anglo-Saxon invasion of Iraq and how to combat the ISIL, Syria and the intervention in Libya and Palestine's attempts to achieve recognition as an independent state. A long-term analyst of European affairs notes that the perception of the EU by the BRICs including India has significantly changed. "Whereas vibrant Indian public opinion has always tended to be more critical about the ability of an ageing Europe to retain a competitive edge vis-à-vis the emerging economies, and even more so about its willingness to set aside national special interests and member states prerogatives for a coherent EU foreign policy, similar sentiments were less openly voiced in China before the unfolding of the sovereign debt crisis" (Muenchow-Pohl 2012a). A typical description characterizes the EU as "a strange creature [that] defies easy and simple classification. It is unique, with attributes of a state but it is not a state [...] [it is] a multifaceted actor" (Bava 2005).

The negative impact of the Eurozone crisis on China's and India's growth potential may result in a further reduction of EU's importance in global affairs and will potentially benefit the US. The change of balance was highlighted by "the unsuccessful attempts to persuade Beijing to buy into the European Financial Stability Fund set up to bail out faltering eurozone members" (Muenchow-Pohl 2012a).

Transatlantic relations are still important but because of the inability and unwillingness of Brussels and important European member-states to act or think strategically (vis-à-vis the outside world), the EU's supposed insertion into the global governance structures has been fading. In fact, the EU may be seen to be in accelerating decline (Muenchow-Pohl 2012b: 4). With Obama's foreign policy shift towards the Pacific it seems that Europe is gradually being marginalized in world affairs (Schmidt 2014b). The world has changed, and this implies that the transatlantic partnership is becoming less important. According to Meunier, "the evolution of NATO is a case in point: nobody would invent it today if it did not already exist. It is not clear what purpose it fulfills, what security dilemma it responds to, or how it surpasses other, competing international security forum. Whereas the Americans pushed hard for EU and NATO expansion, a policy that ran through both Clinton's and Bush's presidencies, this now appears to have been

taken off the table. Instead we now have the realist ‘reset’ with Russia” (Meunier 2010: 16; cf. Ifantis and Ioannis 2012: 66) and probably a new futile attempt to incorporate India in containing Chinese expansion. The question is whether the new American strategy ‘Pivot to Asia’ has any real substance. In fact, India is the only country mentioned by name as a vital partner and this raises the question how it impacts the Sino-Indian relationship and furthermore whether a real geo-political and geo-economic shift in gravity from the West to the East is taking place. This would imply a weakening of the European sphere of influence whether in the institutionalized form of the EU or NATO as the prime Atlantic security organization (Schmidt 2014b).

The reality is that although several initiatives have been taken to add a political and security dimension to EU policies it remains essentially an “economic giant but a military dwarf”. It is doubtful whether the EU will be able to develop “the capabilities’ and ‘competences’ necessary to fully exert itself on most political and security matters” (Muenchow-Pohl 2012b: 1).

The EU is increasingly ignored by the US and divided by the attention of the BRICS. In this way it may be argued that Brazil, Russia, India and China’s only real concern about dealing with a united EU arises when their interests are directly affected by EU policies or when there is a perceived opportunity to divide the EU from the US (Allen 2012). This is illuminated in a paper published by EU external affairs journal where the author tries to establish the EU’s place in India’s Foreign and Security Policy. He concludes that whilst India was seeking “a new pattern of strategic dialogues” (Novotny 2011: 105) only the US is regarded as a “central factor in India’s foreign and security policy” with the EU, unlike the US not sharing a common strategic interest either globally or, of greatest interest to Delhi, regionally. However, this conclusion may appear premature as it excludes the increasing accommodation between India and China.

In a nutshell, the envisioned political operation between Delhi and Brussels still hasn’t progressed very much beyond political dialogue, not quite exactly what Europe had in mind when they talked about strategic partnership. The EU is at the moment largely perceived as a political-economic grouping that has hardly any strategic vision and perspective with regards to the character and scope of its “strategic partnership” with India (Jain 2008). The EU-India strategic partnership is overshadowed by the India–US-China strategic triangular relationship which tends to focus on economic, political and security issues of more immediate interest to India (Schmidt 2014b).

6 Understanding the BRICS, the EU and India

It is ironic that the BRICS has become an issue that divides scholarship and commentators. Hardcore realists denote the lack of hard power, unity and China’s dominance which make the goals of the BRICS “wobbly” and “the India-China relation is deteriorating” (Pant 2013). Leftist observers share a distaste of the BRICS and term the grouping a “neo-liberal alliance” aimed at promoting an

“unfair chaotic world financial system” continuing to “meet Western demands” and being “addicted to speculative-centric, carbon-intensive accumulation” (Bond 2014). Others again denotes the relation between the BRICS and traditional center economies of Europe and the US as “ambivalent” and their attempts to challenge Western hegemony is constrained by the crisis of export-led growth, domestic social conflict and declining growth rates (Bello 2014). What is important though is the scrutinizing of the BRICS by critical academics and civil society groups which again is an illustration of the trends towards amorphous and polycentric governance in both India, the BRICS and the EU including its member states.

Whether or not the BRICS is a counter-hegemonic bloc or alternative coalition towards the West or merely an appendix supporting US and European dominance, it is also a fact, as with the European Union that, each member of the BRICS rely on its own distinctive foreign policies. Although the five BRICS countries do not share a clear and coherent foreign policy and also rely on different values there is a clear convergence on key issues related to “multilateralism, anti-hegemonic actions and democratizing global governance” (Harden 2014: 14). Interestingly they share with the EU a normative commitment to a democratic and safe global environment, a strong multilateral system and a multipolar world. However, when it comes to concrete action there is considerable disagreements among India, including the BRICS, and the EU on such issues as climate change, global trade liberalization, reform of the Bretton Woods institutions, and nuclear proliferation. The group furthermore is the main reason why the EU and US are rapidly losing global market shares in exports and a major challenge to the West’s industrial competitiveness. The BRICS has recently launched a New Development Bank (NDB) with an announced capital structure of \$100 billion subscribed capital about half of the World Bank. The new Contingency Reserve Arrangement (CRA) adds another \$100 billion and these two initiatives may break the monopoly of the World Bank and IMF. These endeavours must be seen in conjunction with (1) the establishment of an Asian Infrastructure Investment Bank, AIIB (a clear alternative to the Japanese and American dominated Asian Development Bank, ADB); “(2) the consolidation of the Chiang Mai Initiative Multilateralisation (CMIM) and the associated Asian Multilateral Research Organisation (AMRO) among the Association of Southeast Asian Nations (ASEAN) + 3 (China, Japan and the Republic of Korea). The CMIM is now a \$240 billion financing facility to help member countries deal with balance of payments difficulties. This is similar to the \$100 billion CRA set up by BRICS. AMRO has evolved into a mechanism for macro-economic surveillance of member countries and provides a benchmark for their economic health and performance. This would enable sound lending policies and may very well be linked in future to the AIIB. The CMIM and the AMRO thus provide building blocks which could serve as the template for the NDB, the CRA and the AIIB” (Saran 2014).

The group is also gradually moving away from the use of the dollar and the Euro to settle international accounts, with members developing alternatives to the SWIFT financial network, and developing their own credit card and internet systems. The EU has strategic partnerships with all BRICS countries but as with

the case of India described above they lack substance. Until quite recently the EU did not regard the BRICS as a serious challenge but this has changed with the impact of the global financial crisis which is an opportunity to seize the moment and demand a greater say in the Bretton Woods organizations where EU members are overrepresented. The current conflict between Russia and the EU is another opportunity for the BRICS to get their act together and continue what may be called the coherent veto against Western domination and unilateralism. In fact, the support to Russia over Ukraine, Crimea, Syria and Iran reflect a pattern of multilateral coherent decision-making and is a continuation of voting behavior at the UN Security Council where all five countries had been represented in 2011. With one exception, the 1973 Resolution on Libya where South Africa voted in favor and the others abstained, the BRICS “casted identical votes on 37 of the 38 Resolutions voted upon until 1 September. This internal convergence can be partly attributed to the decision, taken at the 2010 and 2011 Summits, to coordinate the positions at the UN Security Council” (Gratius 2013: 2).

It is also important to notice the absence of any mentioning to the European Union in the final declarations from the group’s annual meetings. In a very similar vein as with the case of India’s relations with the EU the lack of reference to Europe shows that the BRICS do not devote importance to Brussels as an international actor to be reckoned with. The declining trade relations and the impasse of the FTA negotiations between Brazil, Russia, India, China and South Africa and the EU is another hindrance for a future breakthrough in establishing some kind of recognition between the EU and the BRICS. The EU does have important trade relations with the other members of the BRICS group but with the conflict in Ukraine and subsequent boycott of Russia this may also be put in jeopardy. The very low levels of convergence between the BRICS and the EU may be seen as an interesting parallel to the new PM Modi’s emphasis on foreign policy as “geo-economics”. It reflects the overall comparative advantage of the BRICS group as it relies on what Indian observers call ‘uber-pragmatism with business acumen’ (Khandekar 2014: 2) and is trying to take advantage of the relative liberal level-playing-field in global trade. Relations with the EU are in fact expected to deteriorate and get worse since Modi may “prefer to engage individual EU member states than the EU institutions” (Op cit.: 6).

7 Conclusions

The Eurozone crisis has changed the potential for a unified EU foreign policy and sharply added to the skeptical perception in Delhi of a Europe which does not present a coherent platform towards India in diplomacy, security and geo-politics. The India–EU relationship has been determined by the national interests or preferences of its member states which are reflected in the lack of trust and no real shared interests between the two so called strategic partners.

This chapter has given a number of reasons why the strategic partnership has not improved. Although the two entities share core values such as democracy,

secularism, multiculturalism and a federal structure—albeit a hybrid one in the case of the EU—these values have not been of great help when it comes to real-politics. Even the tone and language in negotiations is heavily criticized from both sides and reflects both historical animosities and the lack of shared interests. The norms-based approach to foreign policy looks fine on paper but in reality it is the national interests of key member states in the EU England, France, Italy and Germany that matter in Delhi and not Brussels. EU Council President Herman Van Rompuy summed up the task in hand for the EU: “Until now we had strategic partners. Now we also need a strategy” (Cf. Muenchow-Pohl 2012b: 15). Besides the unresolved relationship with Pakistan and domestic conflicts it is the strategic triangle between India, the US and China which in near future will play the most significant role in India's security strategy and foreign policy (Schmidt 2014b). A successful FTA may enhance the possibilities of a closer strategic partnership in the future but that imply member states in the EU should transmit foreign policy authority to Brussels. On the other hand, the lack of political will in Delhi reflects entrenched interests and deep-rooted scepticism among key players who are involved in foreign policy-making especially domestic-market oriented capital. These considerations reflect the divergent geo-political and geo-economic interests and different regional ambitions and the present perception in Delhi of a Europe in decline.

It is quite obvious the strategy of increasing presence in the global economy of the previous Manmohan Sing Congress-led government and even more so by the present Narendra Modi BJP-led government is actually the strategy of dominant social groups, alliances, and class interests. Geo-economics emphasize the importance of integrating India's economic diplomacy in its multi-faceted relations with different countries and regions in the context of a rapidly changing world order. The essential question then is of the viability and ability of the capitalist class to gather social consensus for achieving its ambition of greater global reach and whether this will happen despite the interests and resistance of the peasantry and the poor masses in rural and urban areas. The question is also whether it is possible to establish a social consensus in India regarding the expansion and drive towards a more aggressive foreign policy to become a world player and whether that entails a fundamental break away from pre-existing Gandhian and Nehruvian norms and values.

The monumental changes in the global economy helped promote not only an economic boom in Asia, but also led to an eastward movement of global power and influence, signaled by Asia's ascent in the world system and the possible emergence of a new multi-polar order. Global power shifts are now being triggered not by military triumphs or geopolitical realignments but by one factor unique to our contemporary world—rapid economic growth. The EU-BRICS relations very much mirror the India-EU regime. When it come to convergence it is almost nil and EU-BRICS engagement in foreign policy also reflects the India-EU blind alley and may be yet another sign of the shift of geostrategic gravity from the Atlantic towards the Pacific but in this case it includes Brazil and South Africa as well. Whether the recent initiatives taken by the BRICS are designed to erode the hegemony of the Bretton Woods institutions remains to be seen but they do rival

Western dominance over the global governance and international financial architecture. What we do know is that “the era of American ascendancy in international politics that began in 1945—is fast winding down,” concludes a 2012 report by the US National Intelligence Council. “The era is already past its use-by date” (Acharya 2014).

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From Interregionalism to Bilateralism: Power and Interests in EU-Brazil Trade Cooperation

Aukje van Loon

Abstract

This chapter will focus, within the context of its relations with Latin America and more specifically Mercosur (Mercado Común del Sur), on the EU relations with Brazil. Bilateral cooperation, in this case group-to-country cooperation between the EU and Brazil was institutionalised at the Lisbon Summit of July 2007 culminating in the EU-Brazil strategic partnership. This partnership is an indication of the EU's recognition of the position Brazil today occupies in the international system. On the other hand, it lays bare the EU's limited success with Mercosur. This shift from an interregional approach with Mercosur to one of bilateral engagement with Brazil leads to the question why after so many years of efforts made to develop group-to-group relations with Mercosur, has the EU shifted to direct bilateral relations with Brazil? In answering this question, a dual-causal framework highlighting basic characteristics of two theoretical paradigms in international relations, neorealism and liberalism, will be applied.

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1 Introduction

This chapter will focus, within the context of its relations with Latin America and more specifically Mercosur (*Mercado Común del Sur*), on the EU's relations with Brazil. The EU and Latin American enjoy a strategic partnership since the first bi-regional Summit held in Rio de Janeiro in 1999. Both regions cooperate closely on the international level, as well as on the regional, interregional and bilateral level. Bilateral cooperation, in this case group-to-country cooperation between the EU and Brazil was institutionalised at the Lisbon Summit of July 2007 culminating in the EU-Brazil strategic partnership. With the rise of Brazil's economic and political profile globally, the European Commission acknowledged that the "EU-Brazil dialogue has not been sufficiently exploited" (COM 2007: 2). This led the EU to establish a strategic partnership status for Brazil. At the first EU-Brazil summit in July 2007 the European troika and Brazil's President Lula Da Silva announced the formation of a strategic partnership in order to "help Brazil in exercising positive leadership globally and regionally and to engage with the EU in a global, strategic, substantial and open dialogue both bilaterally and in multilateral and regional fora" (COM 2007: 2). Central issues on this partnership's common agenda included for example, strengthening bilateral relations on both the global and regional levels such as stronger commitment to multilateralism, raising human rights standards, achieving the UN Millennium goals, reinforcing trade and economic relations, advancing the Mercosur agenda and enhancing Latin America's stability and prosperity (COM 2007). Given Brazil's weight in Mercosur and noting Brazil as the most significant market for the EU in Latin America, a stronger dialogue within the strategic partnership framework was thought by the EU to improve the conditions for investment and trade in the EU's economic interest and to facilitate EU-Mercosur dialogue and negotiations. This partnership is an indication of the EU's recognition of the position Brazil today occupies in the international system. On the one hand, it lays bare the EU's limited success with Mercosur. The strategic partnership is a direct consequence of the lack of progress and the failure to sign the EU-Mercosur Association Agreement (AA). On the other hand, the EU favours interregionalism as it prefers to deal with regional organisations in order to promote "the process of widening and deepening political, economic, and societal interactions between international regions" (Roloff 2001: 20). Yet, the EU-Brazil strategic partnership contradicts the promotion of economic integration, as cooperation is now conducted bilaterally. This shift from an interregional approach with Mercosur to one of bilateral engagement with Brazil is of importance especially because before 2007, the EU refrained from dealing with Mercosur countries on an individual level in order to advance the collective coherence of all members. Thus, the shift from these "highly uniform terms for all MERCOSUR nations" (Aggarwal and Fogarty 2004: 212) to a privileged bilateral partnership with Brazil justifies the main question this chapter intends to answer; why after so many years of efforts made to develop group-to-group relations with Mercosur, has the EU shifted to direct bilateral relations with Brazil? In answering this question, a dual-causal framework highlighting basic characteristics of two theoretical

paradigms in international relations, neorealism and liberalism, will be applied. Both theories are not systematically tested but serve as an analytical framework, as one single theory is unable to fully account for the dynamics within EU-Brazil relations. Neorealism's focus on distribution of international power is unable to explain the deepening cooperation between the EU and Brazil and does not address the role of societal interests whereas liberalism's attention towards these interests ignores important changes in the international system. Thus in trying to explain the course of EU-Brazil relations, it is assumed that the driving forces of both strategic power considerations and societal interests are formative in determining EU-Brazil cooperation.

In order to present the argument, the remainder of this chapter will proceed as follows: in Sect. 2, neorealist hypotheses are compared with empirical evidence by analysing EU-Latin American, EU-Mercosur and EU-Brazil relations. This is followed in Sect. 3 by turning attention towards liberalism thereby highlighting societal interests. The final section concludes and presents the main findings.

2 Neorealism: Power

Neorealism is a systemic approach which analyses the distribution of power in the international system (Waltz 1979; Gilpin 2000). This system shapes both national interests, which are exogenously given, and also a state's position relative to others. How other states are viewed equally depends on their relative position and on their ambitions to change the *status quo* of the international distribution of power. A state's ambition to gain more power, whether regionally or internationally is viewed by other states as a threat because, according to neorealism, power in the international system is distributed as a zero-sum game and assumes that states distrust each other. Alliances between states are formed only if a common threat is to be balanced, a hegemon is to be counteracted or if a hegemon, according to hegemonic stability theory, carries the costs of providing certain collective goods (such as security and free trade). Accordingly, changes in the international distribution of power, the formation of new alliances or new challenges to the EU, which help in explaining the EU's shift from interregional favouritism with Mercosur to a bilateral relationship with Brazil, are investigated.

Following this reasoning, the rise of competing economic groupings such as Mercosur, and accelerating US efforts towards strengthening economic integration schemes such as the North American Free Trade Agreement (NAFTA) or the Free Trade Area of the Americas (FTAA), are significant factors in shaping EU policy in order to improve its position in the international system. Also, the rise of Brazil as an emerging power, its increased power and ambition to change the distribution of the international system is a decisive factor in shaping EU policy towards Brazil. Accordingly in this section of the chapter, the EU is viewed analytically as unitary actor which aims to promote its collective political and economic influence within the international system.

2.1 The EU in Latin America

The EU and Latin America established links in the 1960s. This bi-regional strategic partnership of the EU with Latin America and the Caribbean (LAC) has substantially evolved since. During the 1970's, first-generation agreements¹ were signed with Argentina, Mexico and Brazil and Latin American countries were granted special trade preferences through the Generalised System of Preferences (GSP). According to Westphal (2005: 151) EU-Latin America relations were pushed forward since the accessions of Spain and Portugal as EU member states. Also its interest in the region increased due to democratic and economic reforms which led to stability and prosperity, and Latin America's intentions to strengthen regionalism (Westphal 2005: 151).

European action in Latin America can be viewed as a response to US policy in the region, giving the impression of a geopolitical counterweight as the US seemed "in sole possession of the stage" (Whitehead 1999: 54). The timing of EU actions and negotiations lends credence to this assertion. Whereas the US favours applying a bilateral approach within regional contexts and aims to develop relations on a country-to-country basis mainly through trade, the EU follows group-to-group approach with a three-pillar structure including strengthening political dialogue, technical assistance and trade liberalisation. The establishment of the North American Free Trade Agreement (NAFTA) in 1994 represented the emergence of the US as a regional power (Sbragia 2010: 375),² bringing together members of both the developing (Mexico) and developed (Canada) economies. In order to decrease Latin American fears of being marginalised due to NAFTA (Schirm 2006: 272), American expansion of territorial influence continued with the proposal of President George H. W. Bush to create the Enterprise for the Americas Initiative (EAI) in 1991. This was launched by President Clinton in December 1994 at the Summit of the Americas under the name: Free Trade Area of the Americas (FTAA). This so-called "hemispheric interregionalism"³ (Schirm 2006), if to come into existence, would be a more powerful regional grouping than the EU (Carranza 2004: 319). The FTAA was viewed as an attempt by the US to legitimise a deep integration agenda by aiming to dissolve the existing Latin American regional experience as the FTAA was to be implemented through bilateral country-to-country agreements. Hettne stated that 'whereas the EU tries to form and consolidate regional groupings, the US tries to break them up through bilateral agreements' (2007: 109). The FTAA was thus a deliberate US attempt to consolidate its hegemony in the western hemisphere (Carranza 2004: 320). US Trade Representative Zoellick stated the

¹For more information on first, second and third generation agreements see Bretherton and Vogler (2006).

²Krapohl et al. define regional powers as 'states that decidedly exceed other regional states in terms of population, economic development and market size' (2014: 879).

³The FTAA negotiations included all countries on the Western Hemisphere, from Alaska until Tierra del Fuego, except Cuba.

importance of the FTAA for the US; “if the Americas are strong, the United States will be better positioned to pursue its aims around the world” (Zoellick 2001: 5). US-EU competition (van Loon 2013), their application of FTAs and the conflict of their divergent perceptions regarding regionalism has been coined as “competitive interdependence” (Sbragia 2010: 368).⁴ The evolution of the EU’s Latin American strategy however seems to bring the EU closer to the strategy of the US, or as Damro points out their ‘approaches have gradually converged’ (2014: 18) as fear of losing territorial influence to the US was mainly what triggered the EU to negotiate trade agreements in Latin America in the first place (Sbragia 2010; The Economist 2004).

Following NAFTA’s creation, US-EU competition in trade (van Loon 2013) resulted in agreements with Mexico and Chile in 1997 and 2002, respectively. Chile first considered joining either NAFTA or Mercosur but then signed a bilateral FTA with the US (Garcia 2011: 509). When the FTAA negotiations missed the targeted deadline of 2005, the US swiftly moved in the direction of hemispheric trade expansion through bilateral trade deals. Already in 2004, the US signed the Dominican Republic-Central America FTA (DR-CAFTA FTA) and trade agreements with two members of the Andean Community (CAN), Peru and Columbia, were signed in 2006. The EU responded only after active US’ devotion towards FTAs by negotiating its own trade deals with these custom unions. Negotiations for both Association Agreements commenced in 2007 and were signed in 2012. This implies that a stronger EU engagement only seems to be appropriate in the case of a direct threat of being locked out of potential markets. Hence, US aspirations for regional dominance can be seen as detrimental to efforts by the EU to establish its influence in the region according to the neorealist zero-sum logic. The EU’s answer to this, apparently, is to create its own FTAA with Latin American countries.

2.2 EU-Mercosur Association Agreement

During the period from 1985 to 1992, the EU was Mercosur’s largest trading partner and source of FDI to the region: the EU accounted for 26 % of all trade and 48 % of European direct investment (COM 1994a). In the period 1992–1993, EU exports to Mercosur had increased dramatically by more than 40 % making it the fastest growing market for European exporters (COM 1994a). In 1991, the signing of the Treaty of Asunción created Mercosur and took place in the context of rising European interest in the region (Holland 2002: 56), as Mercosur corresponded to the EU’s preference for interregional relations. In 1992 an Inter-

⁴It should be noted here though that this so-called competing regionalism (Hettne 2005: 284; Schott 2009: 16; Woolcock 2007: 258) however does no longer only take place between the EU and the US. Since the emergence of China as a major player in international trade, it has increasingly become an equal important trade actor in Latin America (Gallagher and Porzecanski 2010; The Economist 2009).

Institutional Cooperation Agreement was concluded stating EU's technical assistance to Mercosur which aimed at promoting the transfer of European know-how on the subject of integration. This was followed in 1994 by a clearer statement of the European Commission to strengthen relations with the document 'The European Community and Mercosur: an Enhanced Policy' (COM 1994b). Here, a two-stage process was introduced leading to the establishment of an EU-Mercosur FTA. In 1995, the first stage was completed with the signing of the European Union-Mercosur Interregional Framework Cooperation Agreement (EMIFCA) which remains the foundation of EU-Mercosur relations today. The second stage, the creation of an interregional AA (including a FTA) is yet to be concluded.

EU's strategy of balancing US power in the hemisphere is especially visible in its attempt to conclude the EU-Mercosur AA. According to Doidge (2011: 153) the EU's enhanced policy towards Mercosur should be read within the context of the FTAA negotiations which illustrated a new dimension to EU-Latin American relations. With all Mercosur countries participating in the FTAA negotiations and Mercosur having launched its customs union in 1995, the EU immediately reacted by initiating EU-Mercosur AA negotiations (Doctor 2007: 283), which formally commenced in 1999. An important aspect of the Mercosur-EU relationship is that in light of the growing US trade dominance and the ongoing hemispheric negotiations, Mercosur viewed the EU as a counter-balance to the US, particularly in the FTAA negotiation process. Also, the EU's fear of the impact of the FTAA can explain the rapidity with which an EU-Mercosur AA was proposed, launched and negotiated.

EU-Mercosur interregional talks have stalled, however, as a result of disagreement about European agricultural subsidies and the opening of Mercosur industries to competition from Europe. Because of lack of progress in the trade chapter, negotiations were suspended in 2004 after failure in agreeing on each other's offers (EUobserver 2004). The 2006 EU 'Global Europe' communication picked up on this defensive strategy by introducing bilateral trade agreements and emphasising Mercosur as one of its top priority partners (COM 2006: 11). A second attempt to negotiate an Association Agreement with Mercosur started with the re-launch of negotiations in 2010 to present.⁵ According to Doctor (2007: 290) "peaks in EU negotiating seriousness [with Mercosur] tended to coincide with peaks in perceived US influence in the region". While the FTAA negotiations started to break down in 2003, EU-Mercosur negotiations ended up in stalemate in 2004. For the EU, encouraging closer ties with Mercosur was connected to its concern about expanding US activism in the region—in the 1990s the EAI, NAFTA and FTAA and since 2004, the CAN and DR-CAFTA FTAs.

⁵ At the time of writing in November–December 2014.

2.3 EU-Brazil Relations

Beyond the previously mentioned determinants linked to US-EU competition in trade, Brazil's aspiration of international recognition and its ambition towards altering the *status quo* of power distribution in the international system (Schirm 2009a) can explain the EU's adoption of a new strategy towards Brazil. EU-Brazil relations are governed by the 1992 EC-Brazil Framework Cooperation Agreement and the 1995 EU-Mercosur Framework Cooperation Agreement (EMIFCA). The EU and Brazil signed a Science and Technology Cooperation Agreement in 2004, followed by the creation of a Microeconomic and Financial Dialogue in 2008. Concerning Brazil's foreign policy, relations with the EU have been high on the agenda. With regard to trade liberalisation, under the Cardoso presidency (1995–2002), Brazil adopted a reactive and defensive position (Da Conceicao-Heldt 2013: 173). It recognised the EU as an important partner during the FTAA negotiations running parallel to the EU-Mercosur negotiations. Contradictory to the US approach of establishing country-to-country relations, Brazil had the objective to avoid a form of alliance with the US and thus Brazil played “the European card” in the FTAA negotiations (Klom 2003: 356; Carranza 2006: 804). Since 2003 however, the EU has faced several issues regarding Brazil's foreign policy priorities as under Lula da Silva's presidency (2003–2011) Brazil's position towards trade negotiations was more reactive and proactive (Da Conceicao-Heldt 2013: 182) increasingly privileging South-South cooperation in its near and far abroad. This approach resulted in conflicts between the two within the context of the present round of multilateral trade negotiations, the Doha Development Round (DDR). Brazil's main benefit in this round is to require access for the EU and US markets and to reduce agricultural protection, such as tariffs, subsidies and quotas for products in which Brazil is highly competitive. On the other hand, Brazil aims to maintain the *status quo* by rejecting further reduction of tariff rates on industrial products and services in order to protect infant industries in software and manufacturing sectors (Da Conceicao-Heldt 2013: 182).

According to Schirm (2010: 197) Brazil has taken on an increasingly influential global role in both economic and political matters on a wide range of international issues. On the trade front, a coalition of developing countries, the G20 under the leadership of Brazil, was established at the 2003 Cancún ministerial meeting “in order to strengthen the negotiating power of the developing world vis-a-vis the developed countries” (Schirm 2010: 209). At this ministerial meeting the group counteracted US-EU trade initiatives, which resulted in a collapse of the round due to a North-South divide on agricultural issues. Lula da Silva stressed Brazil's aspiration to give the developing world more influence in the WTO by stating “our great challenge is to design a new international trade and economic geography” (Daily Times 2005). With regard to trade, on the global level, Brazil has obtained a leading position within several multilateral fora. Apart from the leader representative of the G20, Brazil maintains close relations with the CAIRNS group and other emerging powers such as India and South Africa in the IBSA Dialogue Forum. It also signed a currency swap agreement with China in order to smooth

Brazil-China trade relations (BBC 2013). Also, Roberto Azevêdo appointment in 2013 as the new Director General of the WTO was “cheered in Brazil as recognising its stature in the global economic hierarchy” (Financial Times 2013a). According to Gratius and Segre (2014: 4) this “triumph over Mexico in the race to lead the WTO” illustrated a recognition of Brazil’s global role. Azevêdo’s role at the helm of the WTO was subsequently acknowledged by other trade actors following the conclusion of the Bali package at the ninth WTO ministerial meeting in December 2013 (WTO 2013). EU trade commissioner, Cecilia Malmström found that “the breakthrough gives new momentum to the WTO and restores trust among members and the credibility of multilateral trade negotiations” (Malmström 2014). As part of the DDR, this ‘Trade Facilitation Agreement’ is the first global agreement reached by the WTO. It aims to reduce global trade barriers “designed to streamline trade, allow developing countries more options for providing food security, boost least developed countries’ trade and help development more generally” (WTO 2013). The successful conclusion of the Bali package also illustrates Brazil’s inclusive leadership⁶ (Schirm 2010) within this organisation, as Azevêdo, viewed as a candidate of the developing world, managed to include even the smallest WTO members to play a role in the Bali negotiations (Financial Times 2014). Underlining the importance of WTO members at all levels of development in the Bali negotiations, Azevêdo emphasised his aim “to put the human dimension at the heart of our work and change the terms of the debate to change this organisation” (Financial Times 2014).

With regard to trade on the regional level, Brazil presents itself as a “regional superpower” (Da Conceicao-Heldt 2013: 183) which instrumentalises Mercosur “as a vehicle to strengthen its own regional power base” (Schirm 2006). It focuses on the South American integration process and is active on both the individual and collective level. Brazil is a full member of Mercosur and since 2005 an associate member of the CAN. Both custom unions were integrated in the Union of South American Nations (UNASUR) of which its establishment, according to Lula da Silva, proved that South America was becoming a global player (BBC 2008). Despite its growing international clout and regional leadership, Brazil is within the Mercosur framework, rather weakly involved in international trade dynamics. The main stumbling block within Mercosur is Argentina as divergent trade policy views between Brazil and Argentina have both hindered the establishment of one common position among the Mercosur members as well as EU-Mercosur exchange of proposals (European Voice 2014). Argentina’s protectionist policies have been viewed as an obstacle that has in effect “become a straightjacket that could condemn [Mercosur] to remain aloof to the new push towards trade liberalisation outside of the WTO” (Gratius and Segre 2014). To date, Mercosur only has a handful of FTAs; the 1996 Mercosur-Chile FTA, the 1996 Mercosur-Bolivia and

⁶ Schirm defines ‘leadership’ ‘as the ability to make others follow goals and positions which these others did not previously share and/or to make others support an increase in status and power of the emerging power’ (Schirm 2010: 200).

the 2005 Mercosur-Peru FTAs. Other FTAs are the 2007 Mercosur-Israel FTA, the 2008 Mercosur-SACU FTA and the 2010 Mercosur-Egypt FTA.⁷ According to Evenett, Brazil would be better off without Mercosur as ‘this would make commercial sense. Given Argentina’s hidden protectionism, any trade partner knows a deal with Mercosur wouldn’t be worth the paper it’s written on’ (Financial Times 2013b). Due to Brazil’s growing influence, its important role as a political and economic player in global and regional affairs, the EU has warranted Brazil special treatment (COM 2007: 5). With regard to trade, so far, neither the US or the EU, nor any major developed country has a FTA with Mercosur. The EU is however determined to conclude an AA with Mercosur in order to boost competitiveness, growth and jobs (Council of the European Union 2014: 2) which will be highlighted in the next section of this chapter.

3 Liberalism: Interests

Whereas the previous discussion focussed on the neorealist approach and EU’s influence in the region to explain the EU’s behaviour towards Mercosur and Brazil, this section considers a liberal approach. It focuses on the EU’s action to reinforce its presence in specific markets and will subsequently highlight the importance of societal interests. Both the liberal approach of International Relations (Moravcsik 1997) and the societal approach to governmental preference formation (Schirm 2013, 2014) focus on societal interests and assume that foreign policy is shaped by domestic influences and economic interdependence.⁸ In contrast to a systemic theory which privileges states’ exogenous interests, for liberals the interests of societal actors are of significance. Liberalism views individuals as rational utility-maximisers who engage in cost-benefit calculations. Like neorealism, relative power is important as the societal groups with the most relative power are the ones most likely to see their preferences turned into policy. Unlike neorealism, the liberal approach primarily emphasises actors’ focus on economic gains and their relative power in a domestic, not an international, context is decisive. Economic interests are the material concerns of EU and national interest associations which alter in response to changed economic circumstances induced by trade liberalisation (van Loon 2013: 225). These interests shape policy positions because trade liberalisation leads societal actors to engage in cost-benefit calculations due to the distributional consequences of market opening. The diversity of societal actors’ economic interests results in conflict between winners and losers from trade. EU and national decision-makers are therefore constrained by societal actors who lobby

⁷ The last two trade agreements have not yet entered into force.

⁸ The societal approach, resting on theories of domestic politics such as the liberal theory of international politics, is developed further focusing on material interests, and value-based ideas (Schirm 2009b, 2011, 2013) and domestic institutional arrangements (Schirm 2014) as independent variables shaping governmental policy positions (Schirm 2014: 2–3). Due to space constraints this chapter only highlights the first of these independent variables.

decision-makers to restore competitive conditions and to adopt trade policy positions in line with these actors' interests (van Loon 2013: 225). Thus, both EU and national decision-makers are faced with the need to reconcile conflicting positions of economic interests.

In accordance with these assumptions, analysis in this section of the chapter concentrates on interest groups at both the EU level and within a national context, in specific Germany, in order to explain economic competition and EU's course of EU-Brazil relations. On the one hand, although EU level interest groups lobby the European Commission, which is electorally independent, they enjoy "multiple access points" (Pollack 1997) and EU decision-makers have strong incentives to adhere to their demands (Woll 2012: 207–208). On the other hand, national governments are prone to be responsive to societal interests as elected governments' primary aim is to remain in office and as such the societal approach assumes that "governmental positions strongly express preferences originating from societal influences prior to international strategies and interstate negotiations" (Schirm 2013: 690).

The development of interregional relations with Mercosur offers strong evidence that the stalled negotiations in 2004 and the EU's strategic turn towards bilateral cooperation with Brazil can be traced back to conflict between economic interest groups. Interest groups can lobby for an 'insider status', thus becoming part of the decision-making process which enables them to increase their influence in shaping the policy process. According to Milner (2002: 450), the balance of these economic interest has an impact on trade policy formulation in democratic countries. An analysis of interests examined in terms of industry, services and agriculture (sector-based) demonstrates the key role of economic interests in obstructing the negotiation progress and in re-launching negotiations.

3.1 US-EU Competition in Trade

As mentioned above, economic interests facing a threat to existing foreign market access, resulting from a FTA among foreign countries, are likely to lobby for re-establishment of prior competitive conditions. This is known as the "protection-for-exporters argument" (Dür 2007: 834–837). In this section it is expected that the EU pursued FTAs with Latin American trade actors mainly in reaction to NAFTA and the FTAA harming European economic interests. In such a defensive situation, economic interests should lobby their governments and/or the European Commission in order to kick-start trade negotiations. On the EU and national (Germany) level, organised business associations were active economic interests pushing for either market opening or market protection, in turn reflecting their expected gains or losses from free trade or protectionism.

Before the US started its active FTA agenda in Latin America, the EU showed no interest to engage in trade agreements in the region (van Loon 2013: 227) because it viewed FTAs as too costly and time-consuming offering marginal rewards in terms of trade and investment (Garcia 2011: 503). In 1990, Mexico's suggestion for a

trade agreement with the EU was rebuffed (Cameron and Tomlin 2000: 1–2). However, once US trade agreements induced changes in the economic conditions, i.e. cost-benefit calculations of economic interests, these then urged their respective EU member state governments to achieve NAFTA parity (Dür 2007: 843–844), CAFTA parity and similar or better conditions than the US achieved in the agreements with Peru, Columbia and Ecuador.

Several studies have shown that the EU agreements with Mexico and Chile were negotiated due to European economic interests' voicing concerns about NAFTA discrimination (Busse et al. 2000; Dür 2007, 2010; Garcia 2011; Sbragia 2010; van Loon 2013; Zabludovsky and Gómez Lora 2005). In Germany for example, the peak business associations (*Spitzenverbände*), the Federation of German Industries (BDI), the Association of German Chambers of Industry and Commerce (DIHT) and the Business Association for Latin America (IAV), voiced concerns about competitive advantages in the Mexican market. Facing discrimination vis-à-vis their American competitors, these peak associations founded the Latin America Initiative of German Business (LAI) and continuously pressured the German Government "for the conclusion of a free trade agreement between the EU and Mexico" because this "would ensure that German companies in Mexico can operate under the same market conditions as their North American competitors" (BDI 1997). German Federal Minister of Foreign Affairs, Minister Klaus Kinkel urged fellow foreign ministers to start FTA negotiations. While promoting German industrial interests, he stated that "Mexico is the ideal partner for us," and that a trade agreement should be concluded "as soon as possible" (European Voice 1996). The creation of NAFTA seemed to have had a clearly negative effect on the competitive position of European undertakings in the Mexican market. FTAs were thus viewed "to attenuate the potential threat of others establishing privileged relations with countries which are economically important to us" (COM 1995).

3.2 Economic Interests in EU-Mercosur Relations

If the EU manages to establish a trade agreement with Mercosur before other significant trade actors do, then it will enjoy genuine preferential access to a relatively closed market. Faust (2004: 50–52) has shown that conflicting societal economic interests have influenced the course of EU-Mercosur negotiations, which had been ongoing since 1999 when, with a 6 years interruption, these were resumed in 2010 under strong pressure from the Spanish Presidency of the Council of the European Union (Ministerio de Asuntos Exteriores y Cooperación 2010: 21). Mercosur negotiations only include Argentina, Brazil, Paraguay and Uruguay since Venezuela, the most recent member, is in the process of adapting to the group's rules and regulations. Lula da Silva stated explicit interest in reaching a trade agreement as before leaving the Brazilian presidency his aim was to establish political conditions required to guarantee successful negotiations (El País 2010). Under President Dilma Rousseff, Brazil's government has followed Lula da Silva's

footsteps (The Economist 2014) by applying an “active and prominent” trade policy (The Guardian 2014).

The target to exchange proposals was the end of 2013 (COM 2013a) but according to European Commissioner for Trade, Karel De Gucht, no specific date had been set for the exchange of market access offers as “negotiations have mainly focused on the ‘normative part’ [and] have not yet gone into the heart of the matter, namely on the additional access that we have to give to each other’s markets for industrial and agricultural products, services, investment and public procurement, through the reduction of tariffs or the dismantling of other barriers” (De Gucht 2013). Negotiations had been delayed because, similar to the previous 1999–2004 negotiations, on the EU side these were centred on a conflict between societal economic interests; the European protectionist agricultural interests and its business interests in favour of the agreement. The EU peak agricultural organisation COPA-COGECA for example was opposed to a re-launch of the negotiations. COGECA’s President Paolo Bruni stated that “Copa-Cogeca finds the EU Commissions proposal to relaunch the trade talks totally unacceptable. A bilateral trade agreement with Mercosur will cause a sharp rise in beef, poultry, wheat, citrus fruit/juice imports to the EU from these countries. We consequently urge EU Ministers to ensure that the negotiations do not go ahead” (COPA-COGECA 2010). Gerd Sonnleitner, President of both COPA and of the German Farmers’ Association (DBV), feared drastic income and job losses, saying that “the Mercosur countries, in large scale, are already exporting agricultural and food products in the EU. 86 % of EU beef imports and 70 % of poultry meat import originate from these countries. If the agreement is closed, then also a part of food security is passed to non-EU countries. A bilateral agreement would not be complementary to an agreement in the Doha Round of world trade talks, which would already come at a high cost for European agriculture, but it would be an addition (. . .) The Commission recognises that an agreement would entail enormous losses for European agriculture. Besides, these imports do not comply with the EU’s high environmental and quality standards” (DBV 2011). COPA-COGECA’s position echoes the results of the EU-Mercosur trade sustainable impact study which predicts that the economic costs from a bilateral trade agreement would fall very heavily on EU agricultural producers whereas Mercosur producers would reap the gains (Burrell et al. 2011: 9).

The leading business lobby group BusinessEurope on the other hand, while stressing its concern that the agricultural sector should not be allowed to derail negotiations, welcomed the re-launching of the negotiations being in favour of an ambitious and balanced FTA which contributes to economic growth (COM 2010). Its Director General Markus Beyrer stated that, although favouring the conclusion of a EU-Mercosur FTA, “if no progress can be achieved in these EU-Mercosur negotiations, both parties should seriously consider alternative ways to remove barriers and enhance trade and investment between the EU and Brazil” (Beyrer 2014). The European Services Forum (ESF) equally welcomed the EU Commission’s decision to resume negotiations with Mercosur. In a letter to Trade Commissioner De Gucht, ESF Chairman Christoffer Taxell asked for an ambitious agreement and a rapid conclusion of the negotiations. He urged “that any deal is

well balanced in terms of concessions and will seriously improve the Mercosur countries services commitments, by embracing their existing GATS offer as a starter, binding their current practice and then making specific new liberalisation commitments such as those itemised by various services sectors in the context of the WTO Doha Round” (Taxell 2010). Commissioner De Gucht’s response highlighted the significance of business interests in the EU-Mercosur negotiations by stating that “it is my conviction that while an EU-Mercosur Association Agreement could prove greatly beneficial to all actors in the EU and in Mercosur, the business community has a key role to play, and its support to the negotiation process is essential at all stages” (De Gucht 2010).

3.3 German Economic Interests

On the national level, for example in Germany, business interests have been in favour of an EU-Mercosur FTA since the beginning of negotiations back in 1999 (Faust 2004: 52). However, while negotiations between 2004 and 2010 were at a standstill, Germany’s engagement with the region also came to an impasse. In 2005, in a position paper to the German government, the LAI demanded from its government to play a more active role during trade negotiations and to conclude a FTA with Mercosur (LAI 2005). During a visit to Germany, Lula da Silva highlighted this situation by posing the question “Where are the Germans?” (Zoller 2014). In May 2010, the same month when EU-Mercosur negotiations resumed, German industry responded to this question as the BDI Brazil Board was founded. This industry initiative aims to promote long term engagement in Brazil. BDI President Hans-Peter Keitel stated the importance of German industry’s renewed interest: “We are at the beginning of a new era in German-Brazilian relations. For German industry, Brazil is one of the most interesting markets worldwide. We will substantially intensify cooperation” (BDI 2011). Brazil is Germany’s leading trading partner in Latin America; In 2013, German exports to Brazil were worth approximately EUR 11.4 billion and German imports from Brazil accounted for EUR 9 billion, putting Brazil on rank 20 among countries importing goods from Germany and in 22nd place among exporters to Germany (Statistisches Bundesamt 2014: 2).

While trade cooperation between the two countries had been held back by the drawn-out EU-Mercosur FTA negotiations, the German Federal Government decided to focus on a stronger relationship with Mercosur by introducing its new ‘Latein-Amerika Konzept’ in 2010. This concentrates on the development of economic relations and promotion of investment and trade in both directions with the goal “to provide German relations a new quality with this partner region” (Auswärtiges Amt 2010: 5). When introducing this concept at a cabinet meeting, Federal Vice-Chancellor and Minister of Foreign Affairs Guido Westerwelle referred to Latin America “as one of the most dynamic growth markets worldwide” and stated that one of the goals of the German Federal Government is “to use the

growth chances for our own German industry the best way possible” (Bundesregierung 2010).

German industry urged the Federal Government to intensify relations with Mercosur and to use the Spanish Presidency to speed up negotiations between the two. German Chancellor Angela Merkel stated that “Germany and Brazil have a common interest in ensuring that the free trade agreement between the EU and Mercosur is pushed forward. I will again make sure on the EU-side that time is not merely passing by, but that we move forward” (Bundesregierung 2014). In February 2014, during the Brazil-EU Summit, Brazil’s President Rousseff stated the near completion of the EU-Mercosur agreement by saying “(The Europeans) seemed to us very committed to make the agreement (. . .) I never saw so close this possibility (. . .) The negotiations are very important for both countries, [they] certainly are important for Brazil [and] they are important for the European Union” (Rousseff 2014). A significant reason for Brazil’s interest in concluding the EU-Mercosur FTA is because the Mercosur countries, due to their classification as high-middle income countries (COM 2013b), they no longer benefit from the GSP scheme which ran out in January 2014.⁹

4 Conclusion

As outlined in the introduction, this chapter applied a dual-causal framework highlighting basic characteristics of two theoretical paradigms in international relations, neorealism and liberalism. It did this in order to analyse why the EU shifted its priority from group-to-group relations with Mercosur to a direct bilateral relationship with Brazil. The chapter’s findings correspond to the expectations of these two paradigms. For example, the EU’s increasing influence in the region is explained by both its efforts to counterbalance US power and its acknowledgement of Brazil as an emerging power. Also, US-EU competition in trade plays a significant role for both the EU as a unitary actor as well as for EU and national societal economic interests. Regarding the former, the timing of EU action with regard to its efforts to conclude FTAs in the Latin American region demonstrates that the EU responds to the US’ FTA agenda. With regard to the latter, within the context of the ‘Global Europe’ trade strategy, EU and national societal economic interests lobby their respective decision-makers in order to open markets and establish competitive conditions. Within the EU however, the conflicts between protectionist agricultural interests and business interests in favour of an agreement reveal that the difficulties in the 2010 re-launched EU-Mercosur trade negotiations are similar to those of the EU’s first attempt in 1999 to conclude a trade agreement.

This chapter has illustrated that the driving forces of both strategic power considerations and societal interests are formative in determining EU-Brazil cooperation. The EU’s shift of attention from interregionalism to bilateralism by taking a

⁹ With the exception of Paraguay.

specific interest in Brazil, granting it the status of a strategic partner and focusing more on direct bilateral cooperation has so far not resulted in a motivation to initiate trade negotiations only with Brazil. It will be interesting to follow the further course of EU-Brazil relations and EU-Mercosur trade negotiations to see whether these driving forces can be applied in future in order to explain a EU-Brazil FTA.

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Opportunities, Challenges and Prospects of South Africa in the BRICS

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Abstract

South Africa was the last country to be included in the BRIC(S) grouping during December 2010. This development initially generated much skepticism due to the significant differences from the other members of the grouping especially in terms of GDP, population size and overall importance in the global financial landscape. Indeed, if one omits the ‘political’ dimension of the BRICS, Mexico or Nigeria are found as more suitable members. But South Africa can be viewed as the representative of Sub-Saharan Africa (leader of Southern African Development Community—SADC, prominent member of the African Union—AU) while being the only African country in G20 which also enjoys special ties with the EU due to its history and current EU policies. And even in financial terms, South Africa is reported as the world’s richest country in terms of mineral reserves while it has a highly developed and modern financial system. Overall, the political aspirations of Pretoria seem not to be achievable via just the enhanced status given by its position within the Sub-Saharan Africa system while the BRICS membership appears to be the key. As part of a push for transforming the global governance structures towards being more responsive to developing world’s voices, South Africa can expect a better placement in global order while its inclusion offers the BRICS initiative the view that its agenda represents the welfare of the developing world as a whole.

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1 The Formation of the BRICS

The 2007–2008 global financial crisis, besides a crisis of tremendous depth and importance, has been recorded as one of the main events of this millennium that marked the end of western supremacy in world economic affairs. In effect, what it brought to the table was a reminder of the accuracy of almost decade-long financial analysts' reports that projected a very different world than the one existing during the 1990s. Indeed, the global arena was gradually being transformed due to the rise of emerging powers, a development that the 2007 crisis stressed more than enough. Although the decoupling theory was not observed in great magnitude the presence of new countries from the developing world was definitely felt. The fact that the solution to the crisis required for the articulation of policies global in scale and most importantly necessitated the active support of such policies from powers outside the usual Triad brought terms such as “emerging powers” to the everyday vocabulary of many analysts and academics. And of course, the first BRIC meeting during 2009 fueled discussions and studies on how this new development may or will alter the structure of global governance (Petropoulos 2013). Interestingly, the decision for maintaining regular meetings between Brazil, Russia, India and China shed new interest on a 2001 report from Goldman Sachs titled ‘Building Better Global Economic BRICs’ while the analyst behind this report, Jim O’Neill, became one rather frequently cited financial analyst in international (economic) relations, international political economy and other relevant disciplines.

Indeed, the 2001 report included various calculations projecting and in a decade’s time these four economies would be more, or equally, important than the usual G7 countries and suggested that at least some of these emerging powers join the *key body of global economic policy coordination*, i.e. the G7 (O’Neil 2001: 3). Although not forecasting the formulation of a new forum, i.e. the now BRICS, the 2001 Goldman Sachs report much formed the foundations of the main analytical framework to assess the BRIC and evaluate any development, such as South Africa joining the group during 2010/2011. Thus, it was not surprising that when South Africa was invited to join the group that many analysts argued that other countries such as Mexico or Indonesia would have been a more suitable new joiner (Shubin 2013). In essence, the BRIC was much seen as a forum for the big-4 of emerging powers to meet and discuss financial/economic issues and why not produce common positions when possible. As such, it was, and by some still is, understood as just a regular event between developing countries talking about financial developments. Moreover, many thought that the significant differences between the four countries would lead to the sudden or gradual death of the initiative. Hence, the first high-level BRIC meeting in Yekaterinburg, Russia during June 2009 did not instantly become the top event in world news although it received media attention, especially from organizations focusing on global financial markets. Needless to say that few had given any attention at all to the several low level meetings among these nations taking place (from as early as 2006) prior to the 2009 high level one.

This chapter analyses the reasons behind South Africa's option to join the BRIC as well as the main opportunities, challenges and prospects for Pretoria in this young forum. The first section offers an overview of the analytical framework applied. In the second section the main driving forces behind BRIC's invitation to South Africa to join are assessed while the third section focuses on the reasons why South Africa opted for joining this emerging powers' club. The final section presents our conclusions as well as the main opportunities and challenges Pretoria is facing being a member of the BRICS.

2 Analytical Framework for Emerging Powers and the BRIC(S)

It is well recorded in the academic literature that since the change of the millennium the world has been experiencing a gradual rise of new powers in the global arena, powers that although not having escaped their 'developing' status have acquired significant capabilities to gain the "emerging" characterization. Although the world has witnessed examples of countries excelling in the field of economic growth in the past, e.g. the Asian Tigers, it is the fact that the magnitude of the economic rise of current emerging economies takes place in parallel with the relative decline of the economic power of developed economies that has sparked the ongoing interest on contemporary developments in the subject matter.

Going forward, while the issue of power can be characterized as a rather debatable one, for a country to acquire the 'emerging power' status it seems that some common ground has been achieved: high economic growth rates maintained for several years or decades, economies of certain size, significant population numbers, a growing internal market or dynamic export industries, build-up of foreign-exchange reserves, etc. (for more on emerging powers see Macfarlane 2006; Sotero 2009; Schweller 2011; White 2011; Weiss and Abdenur 2014, etc.). In essence, contemporary emerging powers are rising economic powers from the developing world and their enhanced power is based on economic capabilities. This was also the case with Goldman Sachs 2001 report which focused on achieved economic progress and more especially future projections of the economic path of rising economies such as Brazil, Russia, India and China. Hence, it is not strange to see that the formation of the BRIC inspired a series of analyses both from economic and political analysts based on the 'hard power fundamentals' that the four countries were bringing to the (common) table. Besides data concerning GDP, FDI, trade surpluses, population sizes etc. analysts have also focused on the existing or possible complementarities between the four countries, e.g. energy resources and commodities production supplementing enhanced industrial bases. Based on these fundamentals, the BRIC countries had obtained a relative important weight in the global arena in order to be able to push for changes in existing global governance structures with specific focus given on global financial institutions such as the World Bank and the IMF.

Interestingly, while academic dialogue over the issue of power has long expanded to include other dimensions, such ‘soft’ or ‘normative’ power, this was much neglected from initial analyses of the BRIC development. To be fair, few were expecting that this ‘peculiar’ new forum would continue to exist after its first few meetings or that it would gain the momentum and become as institutionalized as it is found to be today. Thus, even after the 2nd BRIC meeting, in which specific political positions on global issues were announced, the political dimension of the new group was much neglected.

The notion of soft power is attributed to Joseph Nye, first presented in his 1990 book *Bound to Lead: The Changing Nature of American Power* and further expanding on the issue in his 2004 book titled *Soft Power: The Means to Success in World Politics*. Nye argues that there is another dimension of power which is directly related to an actor’s (in our case a country’s) values, culture and policies and their ability to attract other actors/countries and convince them to co-opt with him. In contrast to hard power which implies the use of force or of money in order to coerce specific behaviors, soft power relates to the projected image of a country in the world scene and its ability to convince others to support its causes. Soft power and its application, especially by hegemons, was also analyzed by Ikenberry and Kupchan in their article *Socialization and Hegemonic Power* (1990). According to them, hegemons can use their superior position in order to socialize their norms to other states and such option can serve as an additional tool in the attempt of the hegemon to control its sphere of influence—in essence via achieving influencing the way other states behave and think of the world and their wants (Ikenberry and Kupchan 1990). Going further, the element of the socialization of norms was highlighted as crucial to the legitimacy of the hegemon. Legitimizing its hegemonic position can be an important task for him and this cannot be succeeded only through sanctions and threats. Such development offers the benefit of rendering the acquiescence of international order less costly and more permanently as successfully “selling” of one’s ideas and norms to the states decreases the need of the use of either carrots or sticks (Ikenberry and Kupchan 1990: 288–289). So it is important to formulate norms and positions that can be then disseminated to other states in an attempt to gain their support and cooperation. In this way, an emerging power’s ascendance in the global arena is not instantly viewed as a ‘threatening development’ but rather a positive one. To this end, as Nye complemented in 2012, it is important not only to project specific values, ideas and norms that others have adopted but it is also crucial to be gain enhanced credibility.

Of course, the issue of soft power has been explored as far as each BRIC member separately is concerned. For example, various studies have focused on the projected soft power of China (see for example Nye and Joseph 2005, 2012; Thompson 2005; Kurlantzick 2007; Gill and Huang 2006; Paradise 2009; Barr 2011, etc.) and how this could complement its rising hard power capabilities. Needless to stress that the Chinese government has also been focusing on enhancing its soft power as, for example, Hu Jintao’s speech to the 17th Communist Party Congress (2007) points out. Other analysts have focused on the gradual build-up of Brazil’s soft power, mainly as a major player on global environmental issues (see for example Lee

et al. 2010; Dauvergne and Farias 2012; Sotero and Armijo 2007; Prusa 2011; Kenkel 2010, etc.). Going further, studies on India's soft power are focusing on issues such as the use of Bollywood, the image of India as a rising IT nation (focusing on the success of Bangalore-based companies) and of course the democracy element (see for example Pocha 2003; Wagner 2005; Hymans 2009, etc.). Finally, Russia has also become interested in the notion and has been focusing on promoting "sovereign democracy" (see for example Popescu 2006; Tsygankov 2006; Bogomolov and Lytvynenko 2012, etc.). In other words and based on a neo-Weberian perspective, power is multidimensional, relational and based on this framework state power should be assessed (Jacobs and Van Rossem 2014).

3 South Africa Joining the BRICS

South Africa was invited to take part in the 2nd BRIC meeting in Brazil during April 2010 and after a year of diplomatic activity pushing for an invitation to the group was invited to join the BRIC(S) during the 3rd meeting in Sanya, Hainan, China during April 2011. Various commentators found it rather 'abnormal' that this emerging powers' forum has selected South Africa as its new member. Others stressed the point that South Africa's membership was promoted by China due to the latter's special plans for Africa, a position partly fueled by the fact that the BRIC membership application was announced by South African President Jacob Zuma during his visit to China on 25 August 2010 although during the same year he visited all four BRIC countries. And some added Russia to the supporters of South Africa's membership based on the two countries existing ties (Kahn 2011a). The aforementioned narratives of the developments of 2010–2011 are based, among others, to the understanding that South Africa needed a 'special push' for being accepted to the BRIC(S). This was necessary, according to such analyses, as Pretoria was missing main attributes of hard power nature against the other four members of the group. Indeed, South Africa can be viewed as a dwarf among giants when compared with the other BRICS members. With a GDP of about \$350 billion and a population of no more than 53 million people it represents but a small friction of the combined BRICS figures as Table 1 shows.

But even if one adopts this logic, the above narratives miss the gradually expanding interests of Brazil and India in the African continent or the existing special ties between Brazil, India and South Africa through the IBSA forum. Indeed, Brazil as a global trader and Brazilian companies as new dynamic multinational players have been advancing their presence in Africa, especially in Portuguese-speaking countries such as Mozambique or oil-producing economies such as Angola. India, on the other hand, has seen its trade relations with the African continent expand, especially as far the automobile sector is concerned. Hence, it is not just China aiming for closer ties with Africa as a whole and using South Africa as a strategy for facilitating relations with the continent, but also the other BRIC members. Furthermore, since the formulation of the IBSA group in 2003, India, Brazil and South Africa have been cooperating more closely, mainly in the field of

Table 1 BRIC countries' main figures and South Africa

Country	Population (in m)	Total area (in 1,000 km ²)	GDP (in b \$)
Brazil	202	8,515	2,246
Russia	141	17,098	2,097
India	1,267	3,287	1,877
China	1,370	9,596	9,240
Total	2,980	38,496	15,460
South Africa	52	1,221	350
As % of the BRIC	1.7 %	3.2 %	2.2 %

Source World Bank, author's analysis

international trade negotiations and the global environment, formulating in many cases common positions. For example, it was IBSA's position on trade negotiations under the Doha round framework, pushing for further concessions from the developed economies during the World Trade Organization (WTO) Conference in Cancun and in particular in the field of agricultural subsidies that led to a negotiations stalemate (Flemes 2009). Based on this experience it is difficult to see why India or Brazil would not sponsor the inclusion of South Africa in the BRICS.

Finally, although it is true that South African president Zuma had visited all four BRIC countries during 2010, this diplomatic activity cannot be viewed as solely driven by the desire of Pretoria to be invited to the forum. For example, the fact that Zuma was accompanied in all his visits by a great number of businessmen (the largest number was recorded in his China trip) indicates that economic diplomacy targeting rising economies of the world was also a key driving force for his tour. Furthermore, it should be highlighted that South Africa was also rather active during 2010 due to its candidature for a second term as a non-permanent member of the Security Council, a task in which it was successful. Interestingly, there has been a series of researchers that have included other aspects of South Africa's value added to the BRIC(S), mainly focusing on its (a) developing status and (b) key-position as a representative of the African continent. As portrayed in Sect. 2, our approach in analyzing South Africa's inclusion to the BRIC(S) is based on an analytical framework that takes note on the aforementioned developments and goes beyond the country's hard power elements that it brings to the common table to include soft power features.

3.1 Benefits for the BRICS

The analysis of the benefits of South Africa joining the BRIC(S) can be divided into two strands, the hard power strand and the soft power strand.

On the hard power strand one can for starters highlight the fact that South Africa is reported to be the world's richest country in terms of mineral reserves. Taking this into account Kahn (2011a) indicates that the addition of South Africa to the

BRICS partly completes a forum that brings together one of the world's most prominent agricultural products' providers (Brazil), the top global gas station (Russia), the back-office king of the international economy (India), the world biggest factory (China) and now the jeweler of the world. Although strategically thinking the jeweler can be regarded as less important than the others, it offers some added value to the forum—especially when evaluated in parallel with the fact that especially China, Brazil and Russia and partly India host companies with extensive experience in mining. Moreover, during the last decade South African exports have much diversified from the long strong dependence to the European market, now targeting emerging economies. Some estimates indicate that South African mining activities (and companies such as Anglo American, De Beers, Capespan, etc.) are responsible for 40+ % of platinum imports to China as well as 25+ % of diamonds (Çakır and Kabundi 2013)—a significant feature if one keeps in mind that the Chinese market for luxury products is recorded as the future largest one in the world (CLSA 2011).

Furthermore, it should be highlighted that South Africa encloses a highly developed and modern financial system—in reality more developed and experienced than of any of the financial systems of the other BRICS members. Based on the close connections with Europe in particular and the West in general, South African financial institutions have gradually developed to offer many services and products and to utilize complex financial tools or follow, implement and monitor internationally agreed financial/banking rules. In addition, such institutions often find themselves to be well connected to the global financial grid; and all the above in a degree greater than any of the financial institutions of the other BRICS members. Thus, South Africa can also be understood as a country that can bring valuable expertise and knowledge of the global financial system, beneficial for both the development of the other BRICS-based financial institutions as well as for the forum to articulate positions in the subject matter (Alden and Schoeman 2013). Of course, the main benefit for the BRIC(S) accepting South Africa as a member is its position as the gatekeeper of the African continent. Even though such feature has been criticized by many analysts, some of who indicate that other African countries, such as Nigeria, might soon replace South Africa as the dominant internal economic player in the continent, it is a fact that the South African economy plays a rather influential role to most Sub-Saharan African ones.

Indeed, South Africa represents 50 % of Sub-Saharan and 75 % of SADC's GDP while it is probably the driving force of the AU (at least in some matters) as well as the New Partnership for Africa's Development (NEPAD). In reality, South Africa has achieved the formation of a hub-and-spokes trade system with around 80 % of trade in Southern Africa being related to Pretoria and most EU-Southern Africa trade being partly done through its ports and transportation centers. In other words, South Africa can be argued that it is for Southern Africa more or less the equivalent of what Singapore is for Southeast Asia (at least until the last decade). Its economic domination is most apparent when one analyses the South African Customs Union (SACU) which is a regional integration scheme created during 1910 and in which a

common currency, the South African rand, is used. In this regional organization South Africa is not just the main financial and trade partner but has also been appointed its leader as far as trade negotiations are concerned (see for example discussions with Mercosur or EFTA during 2004–2005) (Kappel 2010). Although the SACU scheme does not include any major African countries (it is formed between South Africa, Lesotho, Namibia and Swaziland) it is a good first example of the central position of Pretoria in (at least) the Southern African economy and its relations with third parties. A similar image is sustained when focusing on SADC, a much larger regional integration scheme.

This view is not altered when investment patterns are reviewed with South African companies being responsible for about 50 % of all foreign direct investment (FDI) in Southern Africa. For example, South African investment in SADC countries had reached \$1 billion per year during the last decade or so and Pretoria is found between the top three investors in most SADC countries for many years now. Interestingly, South Africa is heavily promoting infrastructure investment that facilitates its companies' increased presence throughout the region while also reinforces the hub-and-spokes system already partly in place. The image is completed if one takes into account the centrality of South Africa for the region in issues such as labor migration, remittances and education (Carmody 2012).

At least for now, South Africa plays a central role in Sub-Saharan Africa in general and Southern Africa in particular. It is the most important, if not the only, gatekeeper of Africa. But why is this element important? The answer to that has been given by the series of analyses and reports on the “New Scramble of Africa” echoing the interest of emerging powers for the continent. Africa after all is the last less developed part of the world and a forthcoming champion of global development as portrayed by many analysts and forecasts (see for example World Bank's *Africa's Pulse Fall 2014*). Emerging economies and most prominently China have become more active investors and trade partners to Africa. Since 2003, for example, Chinese high level officials such as President Hu Jintao organized tours in many African countries in an effort to expand trade relations, investments and influence. Beijing is interested in gaining momentum in a continent that can serve both as a raw materials source and a growing market. Thus, it was not surprising when in February 2007 Hu Jintao visited eight African countries in just one tour. Likewise, the other BRICS members have found themselves promoting their position in Africa with Vladimir Putin visiting South Africa in September 2006 to sign a Treaty on Friendship and Partnership but also to oversee the signature of various cooperation agreements between companies from the two states (Shaw et al. 2009). Brazil on the other hand had long been involved in the continent with investments in Angola probably being the most high-profile case while during 2006 Brazil and South Africa agreed to cooperate in an air-to-air missile technology project. Successful Brazilian companies such as Vale Rio Doce group (iron ore production), Odebrecht (mining construction) and CSN (steelmaker) and of course Petrobras (oil) have built-up their presence in many African countries such as Angola, Mozambique, Gabon, Guinea, South Africa, etc. (Kahn 2011a). Last but not least, India is also becoming more active in Africa. For example, it was announced during

2008 that India will channel even more aid to African recipients with more than 130 new projects of around \$10 billion value being agreed (Shaw et al. 2009). In addition, India's most active multinationals such as Tata and Bharti are found to be rather active in Africa (Kahn 2011a). It is not surprising that the BRIC countries want to secure and expand their access to the African economies and to do so the relationship with the regional gatekeeper could be of crucial importance. As Herskovitz (2010) mentions, for example, China saw the inclusion of South Africa into the BRICS as a means to promoting its interests in the African continent.

On the soft power strand, South Africa seems to be offering the BRICS a rather crucial element: its inclusion tends to reinforce the image of the group as a representative of the developing world. Although several reports about the BRICS understand the group as a financial/economic one rather than a political, it is its latter dimension that seems at times more dynamic. While during 2009 several analysts were stressing that the then BRIC group was formulated by countries that had very little in common and that it would be rather difficult to agree on any issue between themselves (and even more easy to agree on issues with Western countries) each BRIC(S) declaration was expanding the range of political/social issues in which its members had agreed on a common position. Hence, the 2009 Yekaterinburg Declaration focusing mainly on the global financial crisis was followed by future declarations which stressed issues such as international terrorism, environmental degradation and protection, global health issues and of course developments on the Iranian nuclear programme, the wars in Libya and Syria, etc. This emphasis on non-economic issues expanded the role of the BRIC(S) in the global arena giving emphasis on the issues of multipolarity, democratization of the international financial organizations and of a more equitable global governance structure (Scaffardi 2014; BRICS various declarations).

Interestingly, the creation of G20 was presented as a step towards a more democratic forum for discussing global financial issues. Indeed, when compared with the G7 the new forum, enclosing about 75 % of global GDP, is more representative but again the fact that no small or medium-sized economy takes part has been used by outsiders to contest its legitimacy. Likewise, G20 developing world members not being part of the BRIC(S), such as Indonesia, Argentina and Mexico criticize this grouping as being even less representative of the world (Stuenkel 2012). Undeniably, in the eyes of many the BRIC's calls for a more democratic global financial system were not gathering enough legitimacy or credibility: how much more democratic would the global governance structures be if more power was given to four emerging economies? Even if the BRIC were arguing that they represent South America (Brazil), South (India), North (Russia) and East (China) Asia one specific and the most neglected part of the world, Africa, was again not included. As Schoeman (2011: 48) had put it "...as long as South Africa does not form part of the BRIC—the ability or capacity of these formal frameworks and associations to offer Africa opportunities to influence the global political agenda is rather meagre". Thus, South Africa's membership is thought to have enhanced the group's legitimacy as a representative of the Global South (Stuenkel

2012; Orrù 2012). The importance given to this dimension is highlighted by the emphasis given to the representation of all developing regions of the world in the forum in the declaration of 2012: “Coming, as we do, from Asia, Africa, Europe and Latin America, the transcontinental dimension of our interaction adds to its value and significance” (4th BRICS Declaration).

Indeed, the BRIC calls for a more just multipolar world in which the South will be able to influence decisions within global governance structures and participate in global fora that affect global policies, were rendered more credible since the inclusion of South Africa. Such credibility is derived from the fact that the BRICS include representatives from all developing parts of the world. Furthermore, its members are not just countries from the various parts of the developing world but it can be also argued that they represent specific world regions as (self) proclaimed leaders of respective regional integration schemes: Brazil for Mercosur/Unasur, Russia for CIS, India for SAARC, China for ASEAN/East Asian Community and South Africa for SADC/AU. These are collective organizations which often form common positions and present share interests. Hence, the inclusion of South Africa in the BRICS is supposed to bring to the discussions not just the national views and interests of Pretoria but also the views and interests of members of SADC and of Southern Africa.

Indisputably, one could argue on the degree to which South Africa uses its position as a BRICS member for promoting Southern Africa as a whole but indeed Pretoria has given signs of such activity. For example, South Africa was the first BRICS country that combined hosting the summit with opening it to its neighbors. Even the overarching title of the Summit, i.e. “BRICS and Africa: Partnership for Development, Integration and Industrialisation”, highlights the effort of South Africa to share its access to its emerging partners with other African countries. In fact, the Summit was followed by a “Retreat with African leaders. . .under the theme ‘Unlocking Africa’s potential: BRICS and Africa Cooperation on Infrastructure’ . . .an opportunity for BRICS and African leaders to discuss how to strengthen cooperation between the BRICS countries and the African Continent” (Fifth BRICS Summit 2013). Furthermore, this development signaled the materialization of a specific point of the Sanya Declaration (Third BRICS Summit 2011) that of the forum being “. . .open to increasing engagement and cooperation with non-BRICS countries, in particular emerging and developing countries. . .”, something that certainly enhanced the legitimacy of the group within the South. This development is not of course unrelated to the way South Africa can benefit the most from its membership in the BRICS as analyzed in the following section.

3.2 Benefits for South Africa

To comprehend the reasons behind the will of South Africa to become a member of the BRICS one should acquire a certain level of understanding of the country’s recent history. The once ‘villain’ of Southern Africa due to the apartheid regime

changed page and since the early 1990s has tried to reintegrated itself in the African continent and redeem itself from its offensive past. Following the rise of the African National Congress (ANC) party in power, South Africa found itself being a relatively rich country in an underdeveloped continent and with a moral aspiration to help those in need as an at least gesture for the offensive policies of the past, a help that certainly also reinforces its interests on the same time. Moreover, the level of its development as well as special ties with Europe since the colonial period had rendered Pretoria the most extrovert country in Sub-Saharan Africa. Due to this feature, South Africa was acknowledged by most outsiders as the most prominent representative of the region.

Based on these two characteristics, willingness to help its neighbors and special position in international fora, South Africa has tried to play a leading role towards the amelioration of both the economy and the position of Sub-Saharan Africa in the world stage. Unquestionably, the declaration by South African President, Thabo Mbeki, that the twenty-first century will be the “African Century”, as opposed to the “Asian” or “Chinese Century” during 1998 falls under this aim. One instrument towards this direction has been the formulation of NEPAD which focused on the whole area while regional bodies were created (e.g. AU) or revitalized (e.g. SADC) in order to promote a more united and active (Sub-Saharan) Africa. In parallel with these developments which were much pushed by Pretoria, South Africa championed the effort to bring Africa back to the discussions within international fora and pressing for developed economies to do more in terms of official development aid (Kahn 2011a).

Of course, this process also had significant benefits for Pretoria as it was invited to join various international fora as an expert on what was required for Africa to escape the vicious cycle of underdevelopment as well as the logical representative of the continent. South Africa took part in the G8/O5 Heiligendamm Process (HP) while Thabo Mbeki attended all 2000–2008 G8 Summits (Shaw et al. 2009). In essence, due to its pro-Sub-Saharan stance, South Africa saw itself benefiting from a rather internationalized and elevated position vis-à-vis its neighbors, while its leaders were building up valuable knowledge on international organizations processes and public diplomacy capabilities. Undeniably, though, such development certainly is not found outside Pretoria’s aspirations of being recognized as a significant power in the world stage—for example South Africa’s eagerness to win and hold the 2010 World Football Cup falls under the process of maintaining or even enhancing its image as a world class country (Alden and Schoeman 2013).

In parallel with the above narrative, though, it exists another reality with African countries tentatively accepting Pretoria’s initiatives as they are either suspicious on its motives or want to challenge its leader position within Sub-Saharan Africa. Indeed, some African countries saw these South African initiatives as a use of its power and international position to reinforce its hegemonic role over Africa. Going further, some of the aforementioned fears are directed exclusively to the potential abuse of its leadership role vis-à-vis China which has become a dominant player for many African governments (Olinski et al. 2014). In addition, benefiting from its

relatively good economic position, the level of development and the capabilities of Southern African countries, processes and infrastructural arrangements established since the colonial era as well as its more developed financial system, Pretoria has become what is titled as the “Gateway of Africa” (Kahn 2011b). In a nutshell, when companies and countries want to approach certain African economies the use of South Africa offers significant privileges and benefits. This argument is indeed increasingly important as since the change of the millennium and the relative decline of Western supremacy the enhancement of regions as “locus for the generation of international-political dynamics” is becoming a reality (Pereira 2014). As Buzan (2004) informs us current global developments reinforce the importance of the regions and the ability of regional superpowers or regional hegemony to control their regions and possibly expand their regional zones of influence.

In other words, as the world becomes more multipolar, the importance of regional leadership is increased and thus one could expect regional leaders to either reinforce their hegemonic position within their respective regions or be challenged by rising rivals. Within this context, the case of South Africa is peculiar enough as its material superiority vis-à-vis other African states seems to be partially decreasing as (a) its economy has become less dynamic and achieved lower growth rates than before and (b) its main regional rival, Nigeria, is doing relatively better. According to Jim O’Neil (2012) South Africa should no longer be considered the continent’s superpower, while in a relevant article of *The Economist* (2012), Nigeria, with annual growth rates of around 7 % during the last decade, was portrayed as Africa’s biggest economy and most important country in the years to come. Such projections have been the base for critique on South Africa’s inclusion to the BRICS by many analysts. Within this context, the underlying causes of the willingness of Pretoria to join a new dynamic and high-profile group become more obvious.

On the hard power strand joining the BRICS means that South African economy is set on track for better coordinating and integrating with some of the most dynamic and important economies in the world. Taking note on the efforts of the BRICS countries to easing financial and trade flows among them one could expect that the South African economy will much benefit from being member of the BRICS. Indeed, as early as the 2010 meeting the group declared that “. . .in order to facilitate trade and investment, we will study feasibilities of monetary cooperation, including local currency trade settlement arrangement between our countries. . .” (2nd BRIC Summit) while a ‘Master Agreement on Extending Credit Facility in Local Currency under BRICS Interbank Cooperation Mechanism’ and a ‘Multilateral Letter of Credit Confirmation Facility Agreement’ between the BRICS members were agreed during 2012. Such developments are admeasured to the several policies aiming at reinforcing trade and economic interdependence and which in total are considered as highly valuable in a world in which South-to-South flows are being strengthened and for a country such as South Africa that has seen its trade relations being diversified since the change of the millennium (Çakır and Kabundi 2013). Furthermore, Pretoria could not disregard the fact that China’s

imports (reinforced by Beijing's aim to enhance private consumption) reached \$1.95 trillion in 2013 (2nd biggest importer in the world) or that there is a 100+ million people middle class in Brazil and in Russia (Kharas 2010; Nielsen 2013), a 150+ in India (Meyer and Birdsall 2012) and a 174–220 in China (Barton et al. 2013). In addition, another element of significant importance for the 'jeweler of the group' is the fact the Chinese market is expected to be responsible for 19 % of total demand of luxury products by 2020 (CLSA 2011). Additionally, South African companies gained better access to BRIC multinationals, which are among the most dynamic ones in the world and with significant funding capabilities, through the BRICS Business Forums and Financial Forums which convene each year. Such meetings have led in many occasions to match making initiatives between companies from the different member countries. This development is rather important if one takes into consideration the geometrical increase of the number of Chinese, Russian, Indian and Brazilian companies becoming extrovert and having high levels of available funding for investments and cooperation initiatives. For example, according to Forbes Top 500 companies of 2013, Brazil is represented by eight companies, Russia by seven and India by eight. Furthermore, 89 out of 500 top companies in the world in terms of revenues in 2013 are Chinese when there were less than 70 last year and below 20 in 2005's Top 500 list. Overall, Chinese companies are the fastest growing ones while all other BRIC countries have a growing (but not still thriving) presence in the global business world. This feature means that BRIC's importance in global economy is further reinforced as companies from such countries offer employment, opportunities and mostly capital to companies and countries across the world (Forbes Top 500 List 2013) and the accession of South Africa to the group has certainly facilitated business contacts.

On public financials, in a world of economic turbulence and increased financial insecurity having access to the Contingent Reserve Arrangement (CRA) of the BRICS group which was announced during 2013–2014 is also of significant value, especially for an economy of the size of South Africa. Furthermore, none could disregard the value of the fact that all BRIC countries are found in the top ten world list based on their foreign exchange reserves levels according to 2013 IMF data: China 1st with more than 3 trillion, Russia 4th with a bit less than \$500 billion¹ while India is found at the 10th place with more than 260 billion. Finally, it is interesting to highlight that the 'once thought to never progress' group announced during 2014 two more initiatives, the "BRICS Economic Cooperation Strategy" and the "Framework of BRICS Closer Economic Partnership" which could further enhance economic cooperation between the five member states.

All the aforementioned developments have the potential of enhancing economic development in South Africa while also reinforce the existing hub-and-spokes system already in place (South Africa being the hub and other Southern African countries the spokes). The cooperation between the BRICS members potentially supports the continuation of the advantages they enjoy vis-à-vis their regions thus

¹ Due to current events the level of Russian foreign exchange reserves has certainly decreased.

strengthening the asymmetrical dimension of trade relations with their neighbors (Chen and De Lombaerde 2014). As Pereira (2014: 32) points out “as long as strong commercial and societal linkages are the safer avenues for sustained power projection, it can be hypothesized that the cultivation of ‘asymmetrical interdependence’ is a central foreign policy goal of regional (great) powers. . .”. Indeed, South Africa is trying to utilize its BRICS membership in order to further develop trade relationships (Stephen 2012) while on the same time reinforce its position as the gateway of Africa, firstly as far as the other BRICS members are concerned and secondly for third countries (Alden and Schoeman 2013). On the same time, though, that South Africa enjoys the unilateral tangible benefits of being member of the BRICS, Pretoria also reinforces its position as the leader of Southern Africa in a normative level. Similarly to its participation in other international fora, South Africa tries to speak on behalf of Africa and bring to the table of discussions issues concerning the African continent. As the only African country in the group, it has declared that it will further the continent’s interests and direct BRICS activities to take into consideration the need of Africa for investments and support its regional integration processes (Vickers 2012). It is not, for example, unrelated the fact that the first BRICS declaration to ever mention the African continent was the 3rd (2011), the first in which South Africa participated in the forum as a full member. Needless to stress again that it was again South Africa that opened up the meetings to other countries (neighbors of South Africa), an example followed again by Brazil during the 2014 meeting (UNASUR members). Through this process, South Africa reinforces its image as the leader of the region to both third countries and Southern African states and “its BRICS membership becomes both proof of its status and an instrument for reinforcing this status” (Alden and Schoeman 2013: 115).

The use of the BRICS membership is also portrayed on the Africa-related issues underscored by the forum’s declarations, such as that it “. . .support[s] infrastructure development in Africa and its industrialization within framework of the New Partnership for Africa’s Development (NEPAD)” (3rd BRICS Summit 2012), issues that are promoted or even championed by South Africa. So, although Pretoria does promote African issues in the BRICS meetings, it selects those that are more relevant to her strategy and interests. Being a member of this emerging group of states that have generated significant wealth is also positive as far as foreign aid is concerned. South Africa has been an active aid provider in the region, an activity also utilized for reinforcing its leader position. Such mentality was also introduced in its IBSA’s participation through the development of a Facility Fund which channels aid to other developing countries and which promotes the use of local producers and of South countries’ expertise (Olinski et al. 2014). Besides this facility of course Pretoria operates the Southern African Development Bank which grants loans to various African countries further promoting its importance to other African countries (Alden and Schoeman 2013). The aid/funding dimension of the BRIC-South Africa relationship is further enhanced by the most recent development, the creation of the New Development Bank (also called the BRICS Bank). This new institution is set to be used as a powerful instrument for increasing economic cooperation between the BRICS members and facilitate some of the

financing constraints of developing countries for addressing infrastructure gaps and sustainable development needs (Agreement on the New Development Bank 2014). The New Development Bank will have an initial subscribed capital of \$50 billion and an initial authorized capital of \$100 billion, its headquarters in Shanghai and a regional office in Johannesburg, South Africa. The creation of the Bank was heavily sponsored by South Africa while Pretoria also tried to become the host of its headquarters. The main argument used was that although its national aid resources are significantly less than others, it encloses the special feature of having knowledge and understanding of Africa's peculiarities (Vickers 2012). Instead, it was agreed to host the first regional office of the new bank which can be viewed as a partial success: South Africa can now stress its role in securing funding for projects across Africa not only from the developed world but also from some of the wealthiest emerging countries.

It should be further noted that the creation of the BRICS bank has an additional effect; it stimulates the cooperation between the five members and can be treated as an indication that the forum is not going to be dissolved in the near future. Indeed, when the intention to create such institution was announced during 2012 many analysts questioned whether this diverse group of states could agree on the creation of such organization (see for example Brüttsch and Papa 2013). On another note, joining the BRICS offers South Africa additional prestige as it is one of the five emerging powers from the Global South pushing for reforms in the global governance structures for themselves but also for and in the name of the developing world. For South Africa participation in the BRICS is another testimonial of its leading role in Africa as well as a supporting element of this position. As Pretoria does not enclose the hard power features for starring in the global scene it needs its participation in global fora for supporting its position. Partly like Brazil which does not possess significant military capabilities for example that would render it a first class power, South Africa must rely on means such as access to international organizations and global players to ensure its leadership role (Stuenkel 2012). Participating in the BRICS is a way of achieving this especially as the forum is becoming more active and integrated while it also positions South Africa in the frontline of a 'Global South bloc' in world politics.

Finally, Pretoria is trying to use its participation in a pro South forum in order to reinforce its image within the African continent as one of them and reverse suspicions of being the lackey of the developed world. Since 2009, the BRIC has articulated a critical approach towards the issues of military interventions and unilateral initiatives as well as stance of promoting multipolarity, non-interference and respect of state sovereignty. South Africa had already been indulged into not messing with internal affairs of other states since its isolation from other African leaders when it condemned Nigerian leaders in the 1990s (Carmody 2012). Moreover, along with India, Pretoria is found among the most consistent critics of selective interventionism and western critique (see for example the case of Zimbabwe and Mugabe) (Stephen 2012).

Another example of such stance has been South Africa's backing of African neighbors to withstand US pressure during opposition to the latter's preparation

efforts for a military intervention in Iraq during 2003 (Flemes 2009). Nevertheless, South Africa's inclusion to the BRICS enhances its projected devotion towards such approaches although to be fair Pretoria seems not to have been able to balance effectively yet between the South and the North as its voting stance regarding Libya and UNSC Resolution 1973 has shown.

4 Conclusions

Since the creation of the BRIC(S) we have passed from discussions on whether there are common interests amongst the group's members and whether it represents just another meaningless forum which cannot endure over time to assessments on whether the group aims at challenging current structures of global governance or just reforming them. The inclusion of South Africa did not assisted finding answers as it (a) did not enhance at a first glance the group's coherency and (b) it is thought as one of the least activist regional powers. Indeed, as Jacobs and Van Rossem (2014) point out, the BRIC countries have vastly different power positions in the global system and much uncertainty exists on how they can consolidate their global interests. Indeed, the BRICS group, if assessed from a pure economic analytical framework, only partly convinces for its coherence and thus endurance over time. The addition of South Africa did not alter the image of a group of very different countries that cannot cooperate effectively. But viewed from a political standpoint the BRIC did include the most prominent leaders of their respective regions (i.e. MERCOSUR, CIS, SAARC and ASEAN/EAC) while Pretoria's inclusion closes the circle of bringing together representatives from all major developing regions of the world. In that sense, bringing Mexico or Indonesia to the group would not have offered the same benefits. Hence, BRIC calls for promoting greater democracy in international relations and declarations of underlining their support for a multipolar, equitable and democratic world order could not have seemed as legitimate as with the participation of South Africa to the group. Indisputably, since 2011 the BRICS meetings can argue that represent gatherings of representatives from the entire developing world while since 2013 under the initiative of South Africa it can present itself as an open institution to those it represents, i.e. the South. In other words, the inclusion of Pretoria has reinforced BRICS efforts to build up its soft power arsenal in an effort to generate wide support of its initiatives throughout the Global South.

For South Africa its participation to the BRICS has been utilized both internally and regionally as another evidence of (a) the country's leading role in Sub-Saharan Africa and (b) its ability to channel big powers' interest over the continent. As far as the latter is concerned the recent development of creating the New Development Bank is of significant value. In doing so of course it reinforces at the same time its regional hegemonic position as it is found in the position to highlight African issues according to its interests. Additionally, South Africa can reinforce its image as part of the South (in contrast to image of the West's 'special child') when pushing for pro-democratic reforms of global governance structures which in reality such

reforms negatively affect developed economies. In parallel with this process of normative nature, South Africa is benefiting and is expected to benefit even more from enhancing trade and economic links with its BRICS counterparts achieved from policies agreed during their meetings. Although some sectors of the South African economy are currently under pressure by cheaper Chinese and Indian products, the overall added value of the BRICS agreements remains positive. Moreover, stronger ties with some of the largest emerging markets and investors of the world signals a reinforcement of the 'Gateway of Africa' feature.

As far as prospects are concerned it seems that these are quite positive. The new instruments agreed during the 2014 BRICS meetings (BRICS Bank and CRA) can be understood as clear indications of further cooperation between the BRICS members which can only be beneficial for South Africa—both as far as its own economy is concerned and the reinforcement of its leader position within Sub-Saharan Africa. Based on the fact that most BRICS economies are expected to maintain higher growth rates than the West, better access to them is of significant economic value. Going further, as long as the group continues to make headlines it is expected that South Africa's membership will enhance its ability to control much of the Sub-Saharan region and maintain its leading position through 'selling' its access to the other BRICS members and its capability to affect the group's policies. Going further, South Africa needs to be prepared for bringing solutions to the gradually growing issue of more and more African discomfort on the Chinese economic 'invasion' to the continent. In addition, the latter issue is also highlighted by some South African companies hurt by the fierce competition they are facing due to China's increased interest on the continent. As a member of the BRICS, Pretoria will need to find a way to balance its interest on maintaining good relations with the group's leading power (China) with its declaration to protect the interests of Africa and to facilitate the continent's rise. The challenge is that South Africa could at this point reverse its image as the potential lackey of the West in the region only to construct the image of the lackey of Beijing.

On a final note, South Africa will need to tune itself more sincerely with the calls for a different and more democratic global governance structure and support declarations for the promotion of state sovereignty and against selective interventionism. To be fair, this is going to be one of the greatest challenges as the group matures and undertakes more initiatives towards articulating common decisions on political and security issues. What is certain is that South Africa has invested a lot in its membership to the BRICS and thus the challenges faced by the group as a whole are instantly translated into challenges for Pretoria. Until today, the group has *refuted Cassandras* and against most bets has evolved to a more mature and institutionalized forum and it is found in South Africa's interests to secure the continuation of such progress.

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