



Hacettepe University Graduate School Of Social Sciences

Department of International Relations

International Relations

**GROWING MULTIPOLARITY IN THE GLOBALIZED WORLD:  
THE POLITICAL ECONOMY OF THE BRICS**

Işıl ÇAVUŞ

Master's Thesis

Ankara, 2019



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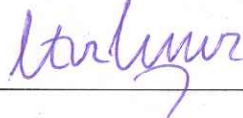
Ankara, 2019

## ACCEPTANCE AND APPROVAL

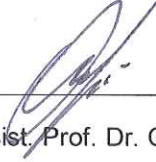
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Işıl Çavuş

## ABSTRACT

ÇAVUŞ, Işıl. *Growing Multipolarity in the Globalized World: The Political Economy of the BRICS*, Master's Thesis, Ankara, 2019.

The BRICS, the acronym for Brazil, Russia, India, China and South Africa, currently encompass 40 % of global population and about 23% of global GDP. They are deeply engaged in the global economic and political system, and this system is transformed by the forces of globalization into an increasingly multipolar character especially in economic activities. The aim of this thesis is to analyze the implications of the rise of the BRICS countries as economic and political players and of their cooperation on the global governance and multipolar world order. Accordingly, the current stage of their cooperation is examined to find out whether the group seeks to overthrow fundamental nature of the existing order to create more democratic, inclusive and multipolar world order. To this end, by taking into account both material and ideational aspects, this thesis analyzes current global configurations from the perspective of the emerging powers, the factors underlying the evolution of the group from a financial category to a cross-regional multilateral group, their organizational structure and agenda, their socio-economic profiles and soft influences of the members, and intra-BRICS cooperation with limits and potentials.

### **Keywords**

The BRICS, Global Governance, Globalization, Multipolarity, Emerging Powers.

## ÖZET

ÇAVUŞ, Işıl. *Küreselleşen Dünyada Artan Çok Kutupluluk: BRICS'in Ekonomi Politikası*, Yüksek Lisans Tezi, Ankara, 2019.

Brezilya, Rusya, Hindistan, Çin ve Güney Afrika'nın oluşturduğu BRICS grubu, günümüzde küresel nüfusun %40'ını ve küresel gayrisafi hasılanın %23'ünü oluşturmaktadır. Bu ülkeler küresel ekonomik ve politik sisteme kuvvetli şekilde dahil olmuşlardır ve bu sistem, küreselleşmenin dinamikleri tarafından, özellikle, ekonomik alanda çok-kutupluluğa doğru dönüştürülmektedir. Bu tezin amacı BRICS ülkelerinin ekonomik ve politik oyuncular olarak yükselişlerinin ve grup olarak işbirliklerinin küresel yönetim ve çok-kutuplu düzen üzerindeki etkilerini analiz etmektir. İşbirliklerinin geldiği nokta, bu grubun daha kapsayıcı, daha demokratik ve çok kutuplu bir küresel düzen için, var olan düzenin temellerine meydan okuma amacıyla olup olmadıklarını anlamak amacıyla analiz edilmektedir. Bu amaçla, hem maddi, hem de düşünsel yönleri dikkate alarak, bu tez, yükselen güçlerin perspektifinden günümüzdeki küresel görünümü, bu ülkelerin finansal bir kategoriden bölgeler arası bir çoktarafli gruba evrilmesini, grubun organizasyonel yapısını ve gündem konularını, grup üyelerinin sosyo-ekonomik profillerini ve yumuşak güç etkilerini, grup içi işbirliğinin limitleri ve potansiyelleri ile birlikte analiz etmektedir.

### **Anahtar kelimeler**

BRICS, Küresel Yönetişim, Küreselleşme, Çok-kutupluluk, Yükselen Güçler.



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## INTRODUCTION

The global order is in the midst of transformative changes with the economic accomplishments of some countries, which strengthen the perception that we are moving closer to the multipolar world. The global economic system dominated by American hegemony since the end of the Cold War has started to be challenged by a number of countries (National Intelligence Council, 2008) that have potential to alter the established balance in global economic governance with a growing interdependence. In such an environment, those so-called 'emerging countries' aspire to fulfill their economic power, soft power and political potentials for democratic representation in global governance. This trend attracted attention in the literature and it is referred as the 'growing multipolarity' debate.

The term the BRIC (at that time without South Africa's 'S')<sup>1</sup>- denoting the first letters of Brazil, Russia, India and China- was first coined in 2001 in a report by Jim O'Neill from Goldman Sachs. In this report entitled '*Building Better Global Economic BRICs*',<sup>2</sup> which was based on the econometric analyses, it was strongly stressed that Brazil, Russia, India and China would experience a drastic economic growth and would increase their share of GDP in the world economy. Besides, it was stated that for a healthier global policymaking, all the BRIC countries, but China in the first place, would be incorporated into the G7<sup>3</sup> (O'Neill, 2001). After that report, the group continued its existence and went beyond that original identification. The BRICS, as an informal political economic group, has become an important actor in global economic and political realm over the last decade. The BRICS has been placed in various International Relations and Economics literatures ranging from

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<sup>1</sup> South Africa was invited to the group in 2010 and joined it in 2011, turning the BRIC into the BRICS.

<sup>2</sup> In 2003, another paper entitled '*Dreaming with BRICs: The Path to 2050*' was published, providing more specific and optimistic economic predictions for the fate of the BRICs. The acronym got more important after the second work (Wilson and Purushothaman, 2003) It is available at: <https://www.goldmansachs.com/insights/archive/archive-pdfs/brics-dream.pdf>

<sup>3</sup> Initially, in 1975, the G6, comprising France, Italy, West Germany, the US, Japan and the UK, was created as a forum. With the membership of Canada, the group turned into the G7, and later on with Russia's inclusion into the G8.

global governance to cyber security. Within the literature, the BRICS is used to point out the current period of immense change in global economic and political relations and the group is mostly treated as the leading 'emerging powers' as well as the major competitors to the Western-led global order.

The BRICS, as a cross-regional group with different political and economic backgrounds, has received overwhelming global attention since their first formal gathering in 2009. The reason behind the great interest in the BRICS is the fact that the group members are very active and dynamic countries that have built strong economic and political linkages within their own regions. With growing and influential participation in the global economy, as a group, they have confidence to act globally. So far, their emphasis has concentrated on global public good and the establishment of a just multipolar world order, particularly through better global governance. They have been reiterating the need for reforming the existing global economic and political institutions to increase economic rationalism and collective fairness.

The 2008-2009 global financial and economic crisis provided a basis for these countries to question the legitimacy of the global economic system and to call for substantial reforms. However, although the global crisis proved that neoliberal globalization is no longer sustainable, and needs to be reshaped, the BRICS countries and their societies are as integrated into this existing system as other developed countries.

Currently, the BRICS as a group holds 23 % of global GDP (SAIIA, 2017), 42 % of the world population, 27% of global land (NDB, 2017), and they are among the fastest-growing countries. While their average annual growth rate of GNP per capita (2005 \$PPP) was 2.1 % between the years 1988 and 1997, it soared to 6.7% between 1998 and 2007. While due to major slowdown, average of the developed countries remained under 1% after the global financial crisis until 2017, the BRICS averaged 5.4% for the same period (Reddy et al., 2017). As the fastest growing countries, China and India have a considerable impact

on this average. It is undeniable that this group is important in that it brings together big emerging markets from different continents, and it is distinguished by their large, fast-growing economies that strengthen their continental and global diplomatic reach. Besides, considerable reduction in poverty over the last fifteen years as well as expanding share of middle class recorded within these countries have been portrayed as success stories, albeit other persistent socio-economic problems. The group members have managed to cooperate at many areas of international relevance. Particularly, the establishment of two institutions has had wide repercussions: The New Development Bank (NDB) and Contingent Reserve Arrangement (CRA), which have consolidated the arguments that the BRICS is going through an alternative institution-building process in the form of '*competitive multilateralism*' (Stuenkel, 2017).

When the group is considered from a skeptical perspective as many scholars do, there seem to be many factors that may impede a healthy institutionalization process: disparate histories, cultures and ideas, material gap or in other words, the dominance of China, different political systems and values, fragile nature of intra-BRICS transactions due to economic competitiveness, different phases of development, and not to mention the rivalries among them on geopolitical security issues. When those factors are combined with the absence of binding group rules to unify them on important global issues as well as their lowering growth rates in recent years,<sup>4</sup> many scholars even argue that the BRICS has already lost its initial significance.

However, member countries themselves believe that, this diversity makes them unique, and those negative factors cannot undermine their multilateral cooperation. They believe that as long as a healthy dialogue and consultation exist, they can harmonize their differences. Furthermore, they make great efforts to sustain mutual trust between one another.

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<sup>4</sup> Goldman Sachs closed its BRICS fund in 2015.

This thesis examines over a decade-long BRICS partnership by looking at the current global configurations with its processes and institutions, in which emerging countries and the BRICS countries have developed and interacted, the motivations behind their formation, ideational factors behind their cooperation, their common objectives and the roles that the BRICS seem to define for themselves, which are revealed in ever-expanding Summit agenda, coalitional behavior and cohesion, socio-economic profiles of the members, intra-BRICS functioning and cooperation with its limits and prospects. The aim of this thesis is to scrutinize whether the BRICS is an aggressive group seeking to overthrow the fundamental nature of the existing world order in order to create their preferred new type of order, by looking at the material components and ideational dynamics of their cooperation, and hence, to pinpoint the place of the BRICS as a multilateral group within the global order, which is evolving into multipolarity.

The chapters of this thesis are organized in the following order. In the first chapter, triangular relationship between globalization, global governance and emerging powers are introduced before assessing the contribution of the BRICS to multipolarity. In order to understand how the post-war global economy was designed by the Western states, and how globalization has shaped the global economy since then, historical evolution of the global economic order since the end of the Second World War is covered. The role and influence of the Bretton Woods Institutions as the main regulative bodies as well as network of interactions shaped by the globalization are presented. Dynamics of globalization should be understood to answer why globalization requires global governance, why global governance institutions are currently in legitimacy crisis and why they are challenged by emerging powers. The role that the 2008-2009 global financial and economic crisis played role in this process, and increasing informality through the G20 are also the subjects to address. In order to understand the position of the BRICS in the global order, one needs to scrutinize the concept of 'emerging powers' as an overarching category. Therefore, what their main characteristics are and where they stand in multipolar globalization and global governance debate are the focal questions. How today's emerging powers have integrated into the neoliberal world order, which raises multipolarity arguments, is also subject of explanation to un-



derstand their current demands in global governance. Furthermore, the relationship between multipolarity and the multilateralism is also given to understand the role and legitimacy of multilateral organizations like the BRICS. Conceptual outline of this chapter is derived from both International Relations (IR) and broader-tradition of International Political Economy (IPE).

In the second chapter of this thesis, constructivist theory of International Relations, borrowing heavily from sociology, will be employed. Complexity ushered by globalization warrants an interdisciplinary understanding. Today, ideas, values, beliefs and interests are interwoven with material factors. Accordingly, basic principles of constructivism explained. By using constructivist approach, inter-subjective nature of relations that may result in structural transformations will be detailed. Constructivist approach to globalization, global governance and multipolarity is explained. Finally, motives behind the BRICS functioning and formation, which results from the interaction between material and ideational factors, are assessed through the lens of identity and constructivism.

Subsequent chapters narrow the scope to the BRICS members and the intra-group dynamics. In the third analysis chapter, structure of the group is examined thoroughly to understand what is important and novel about this group in the current multipolar world order. To this end, while explaining BRICS organizational mechanisms, how their diplomatic activeness and group-in dialogues have grown up are addressed. In order to understand the level of engagement they have reached so far, their Summit agenda is analyzed. Based on socio-economic indicators and important historical turning points, country profiles are provided by highlighting certain country-specific points such as weaknesses and strengths in their socio-economic systems. Furthermore, their soft power implementation is assessed to understand whether they are dedicated and powerful enough to generate global influence.

How progressive the BRICS have become while cooperating on global governance reform and dealing with global challenges, and thus shaping globalization, is a matter of their po-

tential and cohesiveness. Therefore, in the fourth chapter, intra group dynamics are analyzed with pros and cons. Promotion of global economic governance reform is one of the main pillars of their cooperation, binding the members to one another from the very beginning. What strategies the group follows, to which point the members have brought their cooperation and their cohesion in that realm, where the BRICS countries position the G20 in current governance configuration, and whether they stand as the representative of the developing world in that platform are examined. Stemming from frustration with the existing international financial institutions, the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) stand at a very high level within the group cooperation. It is discussed what their potentials and shortcomings are to challenge the primacy of the International Monetary Fund (IMF) and the World Bank. Further assessment is made regarding promising cooperation areas as climate change, sustainable development and technology that will benefit both social progress of each country and global community. Finally, risk-bearing competition areas and differences that create skepticism on the coherence of the BRICS are evaluated.

## **CHAPTER 1 : THE BRICS WITHIN THE CONTEXT OF MULTIPOLAR GLOBAL ORDER**

This chapter scrutinizes the BRICS, as the major emerging powers, within the context of multipolar globalization and global governance debates. It analyzes multipolar globalization in two different dimensions. Firstly, it covers globalization with its post-war historical dynamics as well as its economic governance institutions that deal with the regulation of the economic order. Secondly, it takes into consideration the rise of emerging powers as one of the long-term trends of globalization. Those states have been rising in an already institutionalized order, and thus, they are still reliant on the aspects of the current system, while seeking to be more outspoken within the global governance in the era of multipolar global world order.

### **1.1. STRUCTURES AND DYNAMICS OF CONTEMPORARY PHASE OF GLOBALIZATION**

In the contemporary global system, in addition to changes in old structures and discourses, rapid, unclear and sometimes unpredictable developments are taking place. Globalization as the framing phenomenon of those developments has been a weighty debate in both the academic and political circles.

This thesis claims that globalization and global governance influence one another and they are composed of interwoven, compatible and contradicting processes that are always subject to change. Globalized world order is heading towards more multipolarity with increasing uncertainty and greater influence of emerging powers pioneered by the BRICS. It was not very long ago when the literature was overwhelmed by the dissatisfaction with globalization and its institutions due to their adverse effects on the development path of the developing world (Stiglitz, 2002). Today, however, some advanced economies are also discontented with globalization, which created the institutions and rules of the globalization in the post-war period. As will be covered later on, the blame of 2008-2009 global financial

and economic crisis was put on globalization by both sides. Recently, the world has been witnessing anti-globalization backlash, which revealed itself even in the developed world. Hence, nations started to follow various policies. Examples include but are not limited to inward-looking United States, with protectionist policies of Trump's government, nationalist returns in the European Union with tightening immigration policies. Piecing together the factors behind this anti-globalization sentiment, Wen (2017) emphasizes the internal problems that stem from globalization, mostly in the form of losing jobs, pay reductions and public discontent. On the other hand, emerging powers have become more assertive during the process of globalization. Today, the contentment and discontentment with neoliberal globalization is beyond the division of developed and developing world, owing to immense economic interdependence (Keohane & Nye, 1998). As the 'pro-globalization' statements from the emerging countries increase, some new questions arise, such as who the leader of globalization will be, whether it will be shaped by emerging powers with their own interpretation and whether it is a sign of growing multipolarity.

The following section provides an overall picture of the historical evolution of complex post-war political economy of the global system. It explains the alleged transformative forces and institutions, leading to unprecedented integration, while also driving the world to the 2008-2009 financial and economic crisis, which reinforced the reform demands from emerging powers.

### **1.1.1. Dynamics of Globalization**

Globalization, fundamentally signifying increasing interconnectedness of actors around the world, is one of the broadest subjects of research. Although the globalization debate was intensified especially after the end of Cold War, its roots can be sought in the past. For some, it dates back to the first trade ties between nations. However, for some, the term belongs to the modern era and it was not used until the 1960s and 1970s with its current meaning (Held & McGrew, 2008).

There are many definitions and conceptualization of the term and these are shaped by the nations' experiences and globalization's positive and negative outcomes. For instance, according to a cultural critical approach, it is the imposition of the Western dominant cultural codes on other states and a threat to the local identities. According to another approach, which prioritizes the economic aspect, globalization is the global expansion of the market economy and the new exploitation process through neoliberal economic policies. In this sense, globalization has had implications on the balance of power among many actors by creating both winners and losers. Another approach, which addresses the phenomenon from the perspective of societal interaction, defines globalization as the expanded space and volume of interregional flows and the accelerated and deepened impact of societal interaction. As can be seen, the concept has several dimensions including economic, political, cultural, environmental, and technological aspects. At this point, Ritzer's (2011) broad conceptualization is quite explanatory. Ritzer states that fluidity concept in solid-to-liquid metaphor divides the time into two phases: pre-globalization period when the people, information, spaces, and commodities were mostly 'solid' and the globalization era when solids have become 'liquids' over time, flowing in an immense, interconnected, multifaceted way.<sup>5</sup>

Globalization can briefly be defined as a process that unites all societies into a single world society, represents the development of societal relations on intercontinental scale, enables the products and ideologies to disseminate globally, creates economic integration, makes people consume similar products and follow popular culture, and creates both diversification and unification (Held & McGrew, 2008). It can be claimed that this process has accelerated in the last few decades.

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<sup>5</sup> However, it should also be noted that solidity still remains to some extent due to impediments such as national/regional standards and trade agreements, tariff and non-tariff barriers, regulations and so forth. Anti-globalization sentiments intensifying after 2008-2009 global financial and economic crisis are examples of this solidity. This indicates that globalization is a process that can be shaped under certain conditions.

The scope of this thesis is limited to economic dimension of contemporary globalization - the second and the third waves of it encompassing the decades after World War II (Vanham, 2019)- for the sake of scrutinizing the current debates on how to govern globalization and the discussions regarding the rise of emerging powers, and specifically the BRICS.<sup>6</sup> The reason for explaining the post-war period in this section with its historical dynamics and institutions is that the period in question is defined with accelerated and Western-generated globalization, which has provided the opportunity of rise of some developing countries and has engendered a sense of common historical grievance among some others that became marginalized in global governance, which in turn fuelled the current debates.

The years between the 1950s and 1970s experienced Western liberalization efforts. Those efforts were reinforced by the Bretton Woods institutions as will be elaborated on below. Trade flows increased to unprecedented levels, owing to extensive networks and elimination of trade barriers. Increased trade resulted in substantial growth in many states. However, those states were generally the developed ones since barriers that developing countries faced were high both in agriculture and manufactures. The trade pattern between developed and developing countries was in the form of manufactures exports to the developing world in exchange of primary commodity exports to the developed world.

Due to increasing economic interdependence, crises were also inevitable, referring to the necessity of a solid governance of the global system. The above mentioned trade pattern has come to a halt with the 1973 and 1979 oil crises and resulting stagflation. The period also witnessed the collapse of the Bretton Woods fixed but adjustable exchange rate regime

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<sup>6</sup> Commonly accepted view regards the period between 1870 and 1914 as the first wave of globalization, characterized by falling transportations costs, beginning of transition to capitalism from closed economies, embracement of the gold standard as a norm in monetary and trade relations, reduction in tariff barriers on trade, expanding market place and intensifying rivalry. Although the second globalization wave covers the period between 1914-1980, until the end of the Second World War, globalization retreated due to the destructive world wars and anti-liberal political ideologies as well as protectionist measurements diminishing trade and capital flows in the inter-war period.

in 1973, leading to uncoordinated exchange rate policies and new opportunities for speculation. Within this period, a deterioration in globalization took place. Since non-oil producers confronted current account deficits and countries spent less on imports of other goods but more on oil and oil products, global trade growth slowed down. Governments increased their interventions through protectionist policies, including intervention on those of the industrialized countries. Commercial banks took the stage as the lender of capital, leaning on petrodollar accounts provided by the Organization of the Petroleum Exporting Countries (OPEC). Suffering from poor investment climates, Latin American countries borrowed from those banks at knock-down prices due to their current account deficits following the 1973 oil crisis but then, they became heavily indebted to those banks. As a result, the governments were incapable of controlling their economies and this process has culminated in the IMF's strict Structural Adjustment Programmes (SAPs) in the early 1980s. It should also be noted that less than a decade later, the problem of petro-dollar recycling, which started after the 1973 oil crisis, resulted in Third World Debt crisis in 1982. The imposition of Washington Consensus<sup>7</sup> conditioned by the SAPs was one of the reasons of the ideological shift to neoliberalism. When combined with the developing nations' poor participation in global trade, who mostly exported primary products, all those developments were conducive to resentment of the developing world, and hence, they tried to initiate the New International Economic Order (NIEO) in 1974. Although the NIEO was inconclusive, it represents an important example of an attempt of reform in global economic governance.<sup>8</sup>

With the advent of *hyper-globalization* (Rodrik, 2011, p.xvi) in the 1980s and 1990s, global trade and finance have so intensified and expanded asymmetrically that economic

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<sup>7</sup> The term was first presented in 1989 by John Williamson. It will be explained in the next section.

<sup>8</sup> The NIEO was a movement from the developing world, criticizing the economic and political order, which left them behind the developed world. Therefore, they demanded more say in the Western institutions that govern the global political economy.

prosperity of all actors have become bounded more together.<sup>9</sup> During the 1980s, many countries have integrated themselves into the global economy. Controls on rapidly growing international capital markets were lifted both in the developed and developing world, and total capital flows to developing countries grew substantially. This process, which started at the end of the 1970s is referred to as financial liberalization. Following the two oil crises in the 1970s, new investment forms and financial management tools have emerged and technological developments have accelerated financial globalization. Unlike the previous wave of globalization, a considerable part of the developing countries have started to utilize the global market by using their comparative advantage in manufacturing based on their abundance in labor. They have raised their shares both in manufactures and services in global exports (World Bank, 2002).

From the late 1970s to late 1990s, as liberalized further, some of the developing states have increased their trade relative to their GDPs such as China, Mexico, Argentina, India, Brazil, Thailand, Bangladesh, Philippines and Malaysia. This penetration to the global market with reasonable policies and better infrastructures helped them to grow higher and spend more on social services (World Bank, 2002). However, the immediate success after implementing those liberalization policies masked the structural problems of those economies.

In the 1990s, neoliberalism<sup>10</sup> have permeated all corners of world affairs with great optimism. It was applied to economic management with open capital markets, asset privatization and austerity driven fiscal policy. It became the intellectual arm of the hyper-globalization. Neoliberalism has deeply penetrated into the economic and political management of most countries. Main practices of this ideology can be succinctly put as free market and minimum state intervention, tax reduction to attract investments, cuts in social

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<sup>9</sup> Rodrik (2011) characterizes hyper-globalization as an era of globalization, when trends like exponential increase in the international trade, rise of multinational corporations and surge in flows of investment are experienced. Within this era, domestic economic agendas are overshadowed by economic globalization and deep integration.

<sup>10</sup> It emerged as a synthesis of neo-classical economy and individual liberty (Harvey, 2005).



welfare spending. It was adopted in the 1980s by the conservative governments of the US and the UK under the Reagan and Thatcher administrations, respectively. Following the collapse of the communist Union of Soviet Socialist Republics (the USSR), nothing left to stand against to this ideology around the world.

However, the 1990s was also a decade of crises for some countries due to neoliberal policies, specifically, because of uncontrolled flows of capital. In the early 1990s, financial flows to developing world have grown, especially East Asian countries attracted huge amounts of investment. However, those flows had devastating impacts for those countries as can be seen in 1994-1995 Mexican tequila crisis, in 1997 crises in many Asian countries, in 1998 Russian crisis and in 1999 Brazilian crisis. Later on, Turkey and Argentina experienced similar crises in 2001. All those countries had followed similar market friendly policies; they liberalized their trade, opened up their markets to private capital flows. However, short-term capital rapidly flew out of those countries after a brief period of economic turbulence, structural problems and uncertainty regarding the future. Eventually, the IMF was called for short-term loans to correct current account imbalances; stand-by agreements were signed with the IMF. Consequently, neoliberalism was embedded deeply through the IMF SAPs.

### **1.1.2. Main Pillars of Global Economic Governance**

In the 1990s, global governance has started to be addressed in a system of changes that globalization had brought about, such as increasing interdependence, deepening world goods and financial markets and empowering non-state actors.<sup>11</sup> Today, global governance is needed more and more with its all geopolitical, economic and sociocultural layers (Casanova, 2016) as a mechanism to tackle challenges created by globalization that cross national borders. Global governance is supposed to be used as the main instrument with

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<sup>11</sup> As theoretical discussions on global governance do not fall within the scope of this thesis, for further details, please see Rosenau and Czempiel (1992), Acharya (2016) and Weiss (2013).

multilateral rules to shape globalization by states to balance their differing interests and ensure fair competition.

Global governance is both an ambiguous and a broad notion. As Craig Murphy (2015, p.189) states, it is not easy to provide credible and comprehensive definition of ideal global governance. However, Weiss (2013: 32) provides a comprehensive definition of global governance as follows:

*'...the combination of informal and formal values, rules, norms, procedures, practices, policies, and organizations of various types that often provides a surprising and desirable degree of global order, stability, and predictability'*

One can simply state that ideal global governance organizations, be it formal or informal, are the places, where new norms, ideas and rules are created and the existing ones are modified in an interactive decision-making to address practical problems of globalization such as climate change, human rights, development aid, health, security etc., which are vital for global order. As Weiss (2016:13) defines, global governance and globalization are meta-phenomena, interwoven to each other.

Transitory developments are examined from the perspective of global economic governance in this thesis. The actors of global economic governance include nation-states, international organizations, individuals, civil society and business enterprises. Global economic governance bodies such as 'government-like services' (Weiss, 2016: 14) generally refer to Bretton Woods institutions, informal platforms and great number of regimes. Although global governance is not limited to intergovernmental forums, Bretton Woods institutions are still the three main pillars of global governance with broad regulatory reach, and they are the most contentious ones that have served both as facilitator

and regulator of neoliberal globalization. In this sense, Bretton Woods institutions have become one of the most concrete examples of economic multilateralism.<sup>12</sup>

The following part of this section will examine how international commercial and financial relations have been regulated within the Bretton Woods institutional framework in the post-1944 period under the American auspices. In this way, it will be possible to understand how economic interdependence between actors has developed and how convergence and divergence in time have occurred between them.

In order to build the post-war international economic order, first step was taken during the Second World War (WW2) at the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire in July 1944. Two distinguished economists, John Maynard Keynes (1883-1946) from the UK and Harry Dexter White (1892-1948) from the US proposed different plans to arrange the post-war world economic order. However, it would not be reductionism to claim that economic regime after the WW2 was built with vigorous efforts particularly made by the US, which sowed the seeds of the current debate of the US hegemonic decline. Initial pillars of the system were the International Monetary Fund (IMF), General Agreements of Tariffs and Trade (GATT), and World Bank (International Bank for Reconstruction and Development-IBRD), jointly aiming to provide finance for countries experiencing balance of payments difficulties, liberalize international trade, and rebuild war-torn economies, respectively.<sup>13</sup>

When the commercial side of the Bretton Woods system is taken into consideration, it is observed that incremental trade liberalization efforts were made in order to avoid the

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<sup>12</sup> Multilateralism in the current context will be detailed in the following sections. However, it can be defined beforehand as an institutional form of behavior coordinating individual conducts of more than two actors to reach a collective action. Global governance cannot be separated from multilateralism and sometimes these two concepts are used synonymously in that multilateralism is an instrument to manage global challenges collectively.

<sup>13</sup> In this chapter, Bretton Woods regime is analyzed by simply dividing it into two parts: trade relations and monetary relations.

mistakes of the post 1929 Great Depression when high trade barriers were erected and currencies were devalued, in other words beggar-thy-neighbor policy<sup>14</sup> was embraced. Multilateralism became the anchor of the new rules-based trade regime. The GATT was accepted to become the part of Havana Charter for an International Trade Organization (ITO) that was approved in 1948. However, that charter has never come into force. The GATT has remained as *de facto* international agreement in charge of trade liberalization for 47 years. Nondiscrimination / Most Favored Nation (MFN) was brought forth by the GATT system, so that bilateral trade wars would be prevented. MFN required that imports from all countries be treated the same, whereby imports from one nation could not be given preference over those from another. According to the reciprocity principle, on the other hand, trade concessions were reciprocal—that is, all member nations agreed to lower their trade barriers together. Within the GATT, negotiation rounds have been conducted and they somewhat successfully resulted in increasing both the volume and intensity of world trade, particularly since the 1970s. Moreover, starting from that period, trade relations have become more complex due to nontariff barriers<sup>15</sup>. The period starting from the 1970s is referred to as the rise of new protectionism.

A number of multilateral negotiation rounds were held to develop practical norms and rules. Uruguay Round (1986-1994) was the most multifaceted among others<sup>16</sup> that brought a new dimension to global trade relations. Intellectual property rights, trade in services, agricultural subsidies<sup>17</sup>, local standards were also put on the negotiation table for the first

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<sup>14</sup> It is an economic policy that countries implement to correct their imbalances at the expense of their neighbors or other trade partners by erecting trade barriers or devaluing their currencies to have competitiveness in exports.

<sup>15</sup> They are restricting mechanisms that go beyond imposition of tariffs. They can be in the form of health standards, custom surcharges, government regulations, environmental standards, subsidies, to name but a few.

<sup>16</sup> For more information about other rounds and the subjects addressed in those rounds, see: (WTO, 2019)

[https://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](https://www.wto.org/english/tratop_e/dda_e/dda_e.htm)

<sup>17</sup> Trade in agriculture had been loosely regulated under the GATT framework. Developing countries have been facing severe trade barriers on agricultural products. States used non-tariff barriers like agricultural subsidies. Today trade in agriculture as well as textile is of extreme importance to

time. At the end of this round, enforcement mechanism was also improved with final agreement. Most importantly, the World Trade Organization (WTO) was established on January 1, 1995 and became the universal institutional framework to promote trade liberalization. Rodrik (2011) evaluates the transition from the GATT to the WTO as a breaking point and claims that new body ignited ‘hyper-globalization’ era coupled with deepening financial globalization.

One of the areas where multilateralism has permeated is trade disputes, or in other words inter-state bargaining, which are shaped actually by power gaps. In order to solve them, states have been making use of the WTO Dispute Settlement Body (DSB) (1995), through which dispute settlement became rule-oriented. This mechanism is an important indicator of how multilateralism and globalization have become embedded within the global political economy.

Turning to the monetary side of the regime, the IMF appeared as the supervisor of the fixed but adjustable exchange rate regime<sup>18</sup> and provider of short-term loans to members encountering balance of payment difficulties. In order to change the value of their currencies, states were obliged to ask the IMF for permission. Convertibility in current account transactions was one of the main features of the Bretton Woods monetary system (Schenk, 2011). The US dollar became the reserve currency and medium of international trade. In the initial years of the Bretton Woods system, it was believed that the US dollar was as good as gold, even better than gold. It was believed that when limitations on international financial capital flows were combined with the fixed exchange rate regime, sound and stable trade regime would be ensured. Limitations on international capital flows were necessary because of impossible trinity. In an open economy, it is not possible to

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emerging countries with huge populations and growing middle classes. This issue constitutes their food security agendas as we see in Brazil, India, China (BIC) and India, Brazil, South Africa (IBSA) efforts later in Doha Round and this issue is regarded to be linked to the distributional effect of globalization by many critics.

<sup>18</sup> Other currencies were fixed to the US dollar within plus or minus 1% of parity, and the US promised to convert US dollars to gold at a rate of \$35 per ounce (Schenk, 2011).

pursue three goals at the same time; fixed exchange rate regime, free capital flows and sovereignty over domestic monetary policy.

However, fixed exchange rate was officially abolished first by the US in 1973<sup>19</sup> and then by the IMF in 1978. Transition from fixed to floating exchange rate regime changed the role of the IMF. It has become an institution providing surveillance, lending financial assistance and providing technical assistance to developing countries on the condition that those countries implement structural adjustment policies imposed by the IMF.

Voting quotas in the IMF has always been controversial in global governance. In proportion to the size of their economies, each country has to make a contribution and this contribution determines their representation, that is, weight of their votes. In the end, it determines the amount that is given as direct fund that they can obtain. It should also be added that election criteria is based on nationality, and traditionally the IMF has been run by a European national.

The World Bank, which is composed of five separate institutions,<sup>20</sup> constitutes the third pillar of the Bretton Woods System. It was created to help war-torn Europe to reconstruct itself. However, it then turned into an organization providing development assistance for developing states with the purpose of sustainable development and poverty reduction.

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<sup>19</sup> The US had to partly withdraw its support from the Bretton Woods regime due to its own economic weaknesses looming after the mid-1960s. Due to increasing public spending and costly military interventions, prices had risen at home and trade competitiveness abroad had dropped. However, the US could not undertake the required devaluation because of the key role of the dollar. Eventually confidence in the US dollar also waned. In 1971, President Nixon declared that the US dollar was no longer convertible to gold and added 10% surcharge on imports. The Smithsonian agreement, which was signed in 1971, aimed to ensure the continuation of the Bretton Woods system but the system collapsed in 1973 (Schenk, 2011).

<sup>20</sup> These are International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes (ICSID). The first two bodies, the IBRD and the IDA, are generally regarded as the World Bank.

However, this assistance works on the basis of conditionality just as the IMF funding. In the 1970s, the Bank started to cooperate with the IMF. The Bank has aimed to achieve long-term and accelerated economic growth in poorer countries under the framework of SAPs starting from the early 1980s. However, the SAPs became controversial in a short time since they conditioned curtailment of even public expenditures and removal of government control to boost market competition, lower tariffs on imports and so forth. Currently, the IDA particularly works on ending extreme poverty and on sustainable development through country specific programmes including assistance and training on education, health, and infrastructure. As in the case of the IMF, nationality is important in the selection of the president. The Bank has been traditionally ruled by a national of the US, which is the largest shareholder and dominates the voting.

Bretton Woods Institutions have been increasingly regarded as underrepresented and ineffective. In addition, they have been seen as instruments of Western neoliberal hegemonic order. Because, vital decisions were made by advanced countries without adequately negotiating with developing countries. While considering the Bretton Woods System as implicitly imperialist, generating imbalance and asymmetry, Igwe (2018) states that neither measures nor standards are ‘common’ as Keynes put at the Closing Plenary Session of the Bretton Woods Conference (Keynes, 1980). Bretton Woods Institutions cannot be grasped without the idea of Washington Consensus that is a transnational policy paradigm that stipulates more liberal policies.<sup>21</sup> This standardized policy package was diffused to the developing world with conditionality under SAPs in return for IMF and World Bank loans. Only few countries like China could escape from this. In exchange for loans, those institutions were imposing shock therapy to recipient countries to restructure their economies and societies. Washington Consensus can be considered under Falk’s (1997: 18) classification of ‘globalization-from-above’ negatively referring to the New World Order based on homogeneity, demolishing economic and political diversity imposed

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<sup>21</sup> These policies include promotion of open trade, restoring fiscal discipline, reduction of government spending, tax reforms, market-determined interest rates, privatization, open Foreign Direct Investment (FDI).

by the leading states, transnational businesses and political elites. Global economic institutions and national policies have become so much interwoven. For instance, Cho (2014) argues that while calculating investment risk and credit ratings of leftist governments, embracement of neoliberal structural conditionality prescribed by the IMF and perception of further commitment to them boost investors' confidence regarding those countries. This indicates how economic interdependence undermines government's economic sovereignty by leaving less policy options to choose. In addition to the need for positive assessment by the IMF, investors and credit rating agencies, even WTO membership is also considered a stepping stone to attract inward capital investment. This view is in line with the Marxist view on globalization that perceives it as an engine of new imperialism.

Market liberalization in developing countries promoted by Washington Consensus did not result as expected. Mexican crisis during 1994-1998, Asian financial crisis in 1997-1998 and Argentina crisis in 2001 reinforced the negative sentiments on neoliberal policy prescription in developing world suffering from large capital flights and financial contagion. Besides, it was the developed world, which experienced 2008-2009 crisis after too much financial liberalization. For Stiglitz (2002), those prescriptions have had counterproductive and devastating impacts on developing recipient countries such as rapid urbanization and environmental damage.<sup>22</sup> Although the IMF and the World Bank changed their lending strategy from conditionality to development partnership, they retain their significant influence over recipient countries with implicit conditionality through consultation process. It should also be added that there are some views on the weight of the imposed liberalization under conditionality stating that policies of governments and the

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<sup>22</sup> Stiglitz (1998) propagated Post Washington Consensus that had emerged as a result of the growing dissatisfaction with the Washington Consensus policies in the wake of financial crisis in the 1990s. The aspects of the new consensus include abandonment of one-size-fits-all policy and making room for alternatives, inclusion of developing world and their societies in policy-making, understanding of democratic and sustainable development going beyond the short-term GDP growth, gradual and pragmatic privatization to increase efficiency, coexistence of the government and the market in economic management rather than seeking to minimize government's role.



market institutions are as influential as the policies conditioned to developing states in exchange for lending (Chorny, 2011). For instance, an OECD report (OECD, 2009) measuring liberalization of emerging countries concludes that in important emerging states such as Brazil, India, Russia, South Africa, China and Indonesia, not only policy conditionality imposed by donors has played role but also unilateral, multilateral and bilateral liberalization efforts have become effective to varying extents.

Alongside the conditionality arguments, the WTO is also criticized in that it undermined the mission of the United Nations Conference on Trade and Development (UNCTAD) used by the developing world to raise their voice in global economy. Bello (2000) argues that the changes that the developing states demanded from global trade and the achievements that they had through the UNCTAD were seen as threats and the efforts were shifted to the WTO.

## **1.2. A TIPPING POINT FOR GOVERNANCE REFORM: 2008-2009 GLOBAL FINANCIAL AND ECONOMIC CRISIS**

How much the worldwide economic integration has intensified was manifested when 2008-2009 global financial and economic crisis broke out. It is viewed by many as a breaking point in the most recent phase of neoliberal globalization. Neoliberal economic model with its limits and challenges was exposed with the crisis in the absence of concrete financial surveillance. Unlike the previous crises, this time unregulated financial institutions and products led to a crisis starting in an advanced economy, the US, and then dispersed to other countries. Furthermore, the IMF failed to warn the globe about the financial meltdown. The crisis created an environment of economic uncertainty. Due to the spillover effect in financial markets, many countries, including advanced economies in Europe, were severely affected. Later on, European countries were mired in a sovereign debt crisis in 2011, which was triggered by the 2008-2009 global crisis. The sovereign debt crisis further led to political tensions on some issues within the European Union. Degree of budgetary deficits and debt ratio increased in the developed world. Developing countries were also

affected. Investors started to withdraw hot money from developing countries due to increasing risks. When the growth slowed down in advanced economies, demand for products from developing countries also decreased. When the crisis ended up with concerted state interventions as endorsed in the 2009 G20 Summits, credibility of the existing order and the future of economic integration with its losers and winners became subject to questioning.

Developed countries did not start questioning the consequences of globalization with populist sentiments after the global financial and economic crisis. It was long ago when they had faced competition from emerging countries. But these populist sentiments grew further with the global crisis. However, this crisis, according to McGrew (2011), cannot be reduced to the end of globalization just because of interventionist and protectionist sentiments emerged following the crisis. McGrew states that globalization as a process, penetrating each dimension of social activity, should be assessed in a holistic way. Political globalization is intensified due to the need for global policy coordination in global governance bodies after the crisis.

Efforts to reform global governance are not new. Especially during the 1990s, reform proposals were intensified (Prantl, 2014). However, 2008-2009 global financial and economic crisis uncovered the urgency of effective global economic governance. The crisis raised skepticism over dollar-denominated monetary system. The crisis strengthened the arguments of convergence between '*established*' and '*emerging*' or in other words, power shift from the former to the latter. A strong demand for stricter international regulation and inclusive global economic governance platforms came from emerging countries, especially from the BRICS, who are in search of more representation to deal with the consequences of globalization. Due to the refractory consequences, 2008-2009 crisis has reinforced the

strong state sentiments and pragmatic interventionism among emerging powers over Washington Consensus.<sup>23</sup>

2008-2009 economic downturn had also domestic political outcomes around the world and made the leaders of emerging powers more assertive in their discourse with the contribution of media and public awakening regarding the social peace that is at risk after the crisis. And they shape the process in line with their public diplomacy to increase their legitimacies at home, making them more vocal and influential abroad in the end.

### **1.3. REFORMING GLOBAL GOVERNANCE: A MULTIPOLAR WORLD?**

What makes global governance currently a matter of debate is two-dimensional. First trend is about emerging powers and their contention that global governance mechanisms should include them more in connection with global power shift. There is a prevalent belief that norms and rules, on which existing global governance is based, are fundamentally Western-oriented and global governance largely remains under the control of few. Hence, it is quite reasonable that emerging countries would like to upgrade their role in global governance since they have also been subject to decisions of institutions with regulative power and authority over state governments. Second trend is about capacity appraisal of global governance to tackle global challenges such as inequality, climate change, trade protectionism, and human rights violations. There is almost a consensus that the world has a global governance deficit and urgent reform is needed as seen in a number of substantial studies (Hale, Held, & Young 2013; Goldin, 2013; Mahbubani, 2013).

It is commonly contended that there is a mismatch between existing global governance institutions and global challenges, which is generally articulated as West's poor

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<sup>23</sup> Since the crisis put the social peace at risk, citizens expected their governments to ensure stability. Their role as the provider of social protection was stressed. The relationship between the government and the market is reviewed in many countries and the regulatory role of the government over poorly regulated markets is emphasized among policymakers and the public opinion.

management. Junction point of these two trends is ‘legitimacy and participation crisis of global governance’ as dealing with global challenges that require reconsidering existing paradigms, building long-lasting norms and innovative mechanism with the inclusion of emerging powers. As Wen (2017) puts, better inclusion of emerging powers in global governance is something that globalization currently demands.

Global governance institutions are regarded by some as the entities that undermine instrumental capacity of the states and leave limited range of policy options available to states (Castells, 2009).<sup>24</sup> However, after the 2008-2009 crisis, nation states have become the major subject of global economic governance. Most important global financial institutions, whose risk management systems proved to be dysfunctional, became dependent on governments. Thus, global economic governance can still be assessed as Westphalian in nature, where being bounded by treaties, rules and codes are still optional for nation states which prioritize national responses in times of crises (Friedman, 2008; Boughton, Lombardi, & Malkin, 2017; Mazower, 2014). This is in line with the realist understanding, which suggests that globalization does not undermine the autonomy of nation states to a great extent. As Krasner argues nations have long been willing to sacrifice certain elements of sovereignty only when it suited their purposes (Krasner, 1999) and global governance institutions are still dependent on the input by nation-states. In this sense, even though the civil society and businesses should also be incorporated, greater share of task belongs to nation-states in reforming global governance to be more efficient, representative, transparent and coherent.

### **1.3.1. Multipolar Global Order**

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<sup>24</sup> For instance, the WTO is one of the organizations under which governments confront constraints. From trade unions to civil society organizations many actors actively participate into ongoing discussions to influence the course of the negotiations. Even though governments manage to reach consensus, decisions may not be justified domestically, particularly when social justice taken into account (Wolfe, 2015).

Over time, power distribution patterns have been presented in three ways as unipolarity, bipolarity and multipolarity. According to the unipolar vision, particularly after the demise of the USSR only the US represented a pole of power due to its unsurpassed political, economic, military and soft power projection. Krauthammer (1990) was the one, who introduced a unipolar vision of the post-Cold War led by the US, which was seen as the creator of international stability. Since a system other than unipolarity brings about a systemic turmoil according to Krauthammer, at that point of history, unipolarity was the only choice. Although Krauthammer did not totally oppose the idea of multipolarity, he suggested that multipolarity would appear on the world stage after decades. Furthering this argument, a decade later Krauthammer used the term “unipolar era” to signify that the US dominance could not be counterbalanced by other states and the only challenge could emerge internally, that is, from the American society (2002: 17).

Huntington (1999: 36), on the other hand, proposed a different vision for the same period of international politics in his work. Huntington called it as ‘uni-multipolar system’ in which a leading power is acting with a number of major powers to resolve international issues. However, Huntington was not conservative in his standpoint and claimed that uni-multipolar system would be followed by a multipolar century.

Even though the Cold War and bipolar dynamics between the US and the USSR ended, bipolar visions on global relations remain. According to those understandings, the US does not stand as the single pole. Rather it is accompanied by another power regarded genuinely as a pole. Moravcsik (2010), for instance, puts the EU next to the US. Tunsjø (2018), on the other hand, assesses the current international system as bipolar where China and the US are facing each other as superpowers with no room for a third pole. As can be seen, in these arguments regarding bipolar visions, the answers to ‘which countries constitute these two poles’ differ.

Discussions on the current international configuration of power is not complete without the inescapable concept of multipolarity. Needless to say, the 21st century multipolarity is emphasized here, not the 19th century's Euro-Centric multipolarity. New multipolarity is universal in terms of its scope. It has long been in the vocabulary of world politicians with varying levels of acceptance. Currently, for many scholars, with the seeming decline of the world's leading power, the US, the world is going through multipolarity, which basically means that power is distributed among more than two powerful and influential countries. However, this assessment rests most of the time on economic power.

At the very beginning of this millennium, when the concept of 'power' was being discussed thoroughly, Nye (2004: 137) made an evaluation that puts forward the contextual and spatial flexibility of the power concept. By making analogy between international system and 'three-dimensional chess game', Nye suggested that the world is unipolar in terms of military power, while multipolar structure prevails in the economic sphere, and finally, regarding transnational relations, power is most dispersed. Currently, it is accepted by the majority that the US will remain as the great military power. However, in terms of economy, many countries with global reach and influence are counted as major players. This unprecedented economic growth that resulted in the rise of the rest, according to Zakaria (2008), paved the way to current multipolarity.

The motives behind multipolarity and its implications are also being contested. The most referred argument, particularly after 2008, is that Western-based institutions fell into a legitimacy crisis and that the economic supremacy has been dispersed from the West to the East over couple of decades (Chwieroth, 2011; Layne, 2012; Schwarzer, 2017). Another line of argument concentrates on the robustness of the American economy itself, which would affect its pioneering position. Meanwhile, Ünay's (2013: 280) argument also sounds persuasive, highlighting an important point and stating that multipolarity in the global economic system did not emerge only as a result of preferences of the rising actors but also

preference of the US, who wants to share the burden of global stability by giving dominant regional powers more economic and political clout.<sup>25</sup>

### 1.3.2. Emerging Powers in Growing Multipolarity

Before investigating the BRICS as a group, emerging powers<sup>26</sup> should be discussed as an overarching category. Alongside the broad terms like developing and developed countries, there are other terms used to categorize more specific and smaller set of countries like least developed or newly industrialized countries based on their level of economic and industrial development.<sup>27</sup> And when this trend of development and increasing material capacities are assessed in the context of global politics, countries are categorized as great powers, middle powers and regional powers. And emerging powers is one of those terms. Within this more integrated and more multipolar world order<sup>28</sup>, emerging powers are referred to as rising actors that occupy important place. Since there is no commonly accepted definition of the term, it would be better to consider their commonalities such as growing material capacity and status-seeking foreign policy (Hart & Jones, 2011).

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<sup>25</sup> Barroso (2010) goes beyond all of these state-centric traditional approaches and describes the current multipolarity as an arising constellation of power beyond state power. Within the globalized world order, in addition to nation states, multilateral non-governmental and intergovernmental organizations, regional blocs, informal networks, multinational corporations have proliferated, resulting in both cooperation and conflicts on complex global issues. The world is going through a historical period with various actors and their influence areas.

<sup>26</sup> Occasionally, emerging powers, rising powers and emerging market economies concepts are used interchangeably within the literature. In this study, emerging powers and rising powers are also used in this way.

<sup>27</sup> Country classifications are indispensable parts of analyses and they are provided by the global institutions. For instance, World Bank categorizes countries based on their income levels as low, lower-middle, upper-middle, and high-income countries. The position of countries can change in time depending on the new thresholds set by the institution. The UNCTAD, on the other hand, label countries in general, as Least Developed, Developing, Transition and Developed Countries. The IMF classifies the countries in its World Economic Outlook as Advanced Economies and Emerging Market and Developing Economies.

<sup>28</sup> Grevi (2009) offers the term ‘interpolarity’ to indicate the synthesis of emerging multipolarity and growing interdependence.

The term 'emerging powers' is sometimes used to describe the countries in the global political arena and sometimes in the global economy. At this point, the nuance between emerging markets and emerging powers should be explained, which are sometimes used interchangeably. 'Emerging markets' can be considered as a sub-concept within the broad category of 'emerging powers'. While the former classification is based on financial and economic merits, as detailed below, the latter is a broader classification in that it represents the countries that have political assertiveness and influence in global arena in addition to these financial and economic merits. Indeed, by looking their merits, which serve as a starting point, emerging powers question their established positions and act more ambitious to change these positions. Their identities are dynamic since the countries move in the global hierarchy of powers (Macfarlane, 2006).

The term 'emerging market' was coined in 1981 by Antoine Van Agtmael from the International Finance Corporation (IFC) - financial arm of the World Bank Group, dealing with investment financing in the private sector. The intention was to put countries, which were integrated to the new conditions of financial globalization in the late 20th century, into a framework so that they could be categorized in conformity with their economic merits.

The landscape drawn for these economies mostly involves: Rapid GDP growths, rapid industrialization, transition to mixed or free market economy from traditional economies relying mostly on agriculture and raw materials exports, abundant labor supply and precious natural resources, large populations and growing middle-income class, rapid urbanization, poverty reduction efforts, struggle for global market access. Even, some of the emerging economies have already surpassed developed countries in some sectors and contribute a greater share to global GDP than their developed counterparts. One of the main characteristics of the past two decades is changing distribution of global GDP. While the emerging market economies and the developing countries accounted for 43% of the world GDP based on purchasing power parity (PPP) in 2000, it was recorded as 59% in 2018 (IMF Datamapper, 2019). The countries that appear in at least two of the accredited



emerging market classifications prepared by the IMF, the World Bank and Morgan Stanley Capital International are the BRICS countries, Argentina, Bulgaria, Chile, Colombia, Czech Republic, Estonia, Hong Kong, Hungary, Indonesia, South Korea, Latvia, Lithuania, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Slovak Republic, Taiwan, Thailand, Tunisia, Turkey, Ukraine and Vietnam (Rousseau, 2015).<sup>29</sup>

Economic development of emerging powers which are seen as ‘new globalizers’, is mostly assessed from the perspective of pro-globalists, arguing that globalization tends to create welfare and opportunities for more states and enables entrepreneurs to access larger markets and consumers to access less expensive products. For instance, Rodrik (2011), by exemplifying China as a success story, stresses the positive aspects of globalization and argues that it has great potential for greater welfare if governments can protect themselves from negativities of globalization, take into consideration local economic realities and build room of maneuver.

Neoliberal globalization is believed to leave very little room for developing countries but to take advantages of the benefits of transnational flow of goods and capital. Contemporary emerging powers pursued economic growth in the past through integration into the liberal economy. They have become dependent on both dynamics of globalization and its institutions. These emerging countries reduced their trade barriers especially after the 1980s as part of their liberalization efforts in line with the rise of neoliberalism. Unilateral, multilateral, regional/bilateral liberalization efforts and the role of conditionality imposed

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<sup>29</sup> During the 1990s, emerging markets and developing states were being used interchangeably within the IMF and the World Bank frame, representing all countries except advanced economies (Paes, Cunha, & Fonseca, 2015). According to the IMF (2019), there are 162 emerging and developing countries- the rest are advanced markets. The criteria, which the IMF (2019a) considers as overwhelming than the other factors are: Average per capita income calculated over a number of years, export diversification, integration into the global financial system, and economic development programs undertaken.

in exchange for loans have become influential to varying degrees in different countries (OECD, 2009).

As will be detailed later in Chapter 3, for instance, the BRICS members are currently as integrated as the G7 into the global economy in terms of many indicators such as FDI attraction and trade liberalization (Stephen, 2017). For instance, taking advantage of growing sophistication and diversification in global business, China has started to attract great amount of FDI to its market from the very beginning of the 1990s, and from the mid-1990s Brazil has started to get greater FDI inflows, albeit lesser than China (World Bank, 2019).

Many countries have become important players in transnational production. As a result of globalization, freer trade enabled domestic firms in those countries to direct outputs to large markets such as the US that opened up its market to their goods. Even though there has been an increase in trade, investment and production in developing countries since the 1950s, FDI flows to developing world increased in the 1980s and 1990s due to diminishing domestic restrictions and their immense markets, which were utilized by Multinational Corporations (MNCs)<sup>30</sup> (McGuire, 2013). Newly Industrialized Countries (NICs) in Asia that had high growth rates and adopted market friendly policies have attracted huge amounts of capital investment. It can be seen that more and more headquarters of the MNCs have been settling - most notably in China and India recently (Fortune, 2019). In the 2000s, emerging countries managed to attract more capital on the financial side and they improved their positions in transnational production with increasing labor productivity

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<sup>30</sup> Global trade increasingly operates within the giant MNCs and their subsidiaries with huge financial sources, wide management endowments, qualified workforce, technical resources and capacity so as to steer national economies and place pressure on governments to lower environmental standards and to grant tax breaks (Mikler, 2013). Besides, they have significant impact on creating a global culture due to manufacturing global goods in favorable places, where low labor costs, few government regulations and low taxes exist (Husain, 2005). For a skeptical look at the alleged transformative forces of MNCs, see Kline (2006).

growth and in trade networks. As stated earlier, in the early 2000s, Goldman Sachs has highlighted growth path of emerging countries and confirmed their prominence.

However, as stated earlier, the original IFC classification, and hence, the adjective ‘emerging’ went beyond this financial and more broad economic connotation. While all emerging powers possess emerging market dimension, not all emerging market economies can be regarded as emerging powers since the latter requires many other aspects. According to Hurrell (2006), alongside the growing economic heft, in emerging powers category, there are other commonalities such as relative military and political power, aspiration to expand their autonomy and recognition within the international system, particularly in global governance, and intensified relations among them. In addition to these, soft power enhancement to shape the preferences of the others and institutional power to shape the agenda of global governance can also be counted as one of the features.

### **1.3.3. The Need for Representative and Efficient Multilateral Global Economic Governance**

As stated before, global governance reform should be formalized around two essentialities. First one is ‘representativeness’ to incorporate emerging powers in and to give them adequate role for protection of their interests. Second is ‘efficiency’ to be responsive to global challenges. Whether increasing economic growth of emerging powers, including the BRICS, will translate into regulating influence to devise new institutions or reform existing ones, is one of the most pressing and contested questions. Lesage et al. (2015) claim that governance capacities of multilateral institutions are contested since they do not give voice to emerging powers that they deserve on those platforms.

In the past, current emerging powers had former attempts to make their voices heard by the developed countries at different stages in the international arena such as Group of 77 (G77) under UNCTAD and Non-Aligned Movement (NAM). However, at the present time, the energy to reform global governance should be injected by both emerging powers and

developed counterparts, who are aware of the urgency of active dialogue and collective action with developing countries. However, although global governance reform has gained momentum right after the 2008-2009 crisis through concessions by developed countries to obtain support from the developing world, the more recovered the developed world from the crisis, the more stagnant the reform process have become.

Before delving into global economic governance reform areas, the state of multilateralism as the core organizing principle of global governance in growing multipolarity should also be touched upon. Alleged setbacks in the multilateral governance process, making the reforms intricate, is partly because of the pressure on multilateralism exerted by multipolarisation. As Jorgensen (2013) puts, multilateralism, whose institutions were originally Western sponsored, is currently widening and deepening, due to increasing number of participants, who have structural differences in economy, politics and culture, and hence, multilateral global governance is confronting with collective action problem. It possibly weakens cooperative and efficient multilateralism (Langenhove, 2010). Rising unilateralism and withdrawal from various multilateral bodies by the US is important erosion in multilateralist vision. Besides, general tendency to form multiple bilateral relationships (Laidi, 2014) or cooperations limited to specific issues with regional or like-minded partners (Betz, 2014) are the weakening factors. Scott (2013) calls this as *multilateralism 2.0* – recent nature of multilateralism including wider range of actors that pursue alternatives vis-à-vis global governance. Murray (2018) claims that even though multipolarity makes the competition between increasing number of powerful actors more severe, this will not erode the importance of multilateralism. Rather, it will only shift multilateralism from global to regional level with vibrant forms of institutions and arrangements.<sup>31</sup> Therefore, it can be claimed that the shape of the multilateralism and its role as the core principle in reform process is questionable.

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<sup>31</sup> Garzón (2017) furthers this argument and proposes ‘decentralized-multipolarity’. According to this proposition, states tend to build extra-regional ties to fulfill their interests unlike within traditional regionalism that takes place around one dominant regional power within narrower and proximate regional territory. As seen in the BRICS’ place within the region-system context, it can be

Even though there is a wide range of reform areas in global economic governance, most crucial issues in trade, finance and development will be covered here. Global integration has dramatically intensified in trade. Trade (% of GDP) in world has been increasing dramatically over the last decades even though this increase was interrupted after the 2008-2009 crisis (World Bank, 2019a). However, its governance globally under the WTO has many setbacks. Reform calls on the WTO, as one of the three keystones of global economic governance, date back to the late 1990s. However, the incompleteness of the Doha Round<sup>32</sup>, which had started in 2001, with the protectionist sentiments after the 2008-2009 global crisis intensified those calls. The WTO is more legitimate compared to the IMF and the World Bank in terms of membership rights in that each member has one vote under consensus-based decision making (Chan, Lee, & Chan, 2011). However, legitimacy deriving from the veto power, which protects smaller countries, is maintained at the expense of efficiency in that reaching a decision by general consensus is not easy as seen from deadlocked trade negotiations at the Doha Round. At this point, emerging powers, especially Brazil, India and China as the most vocal and assertive agenda shapers in negotiations, have collectively an essential role in the collapse of the Doha Round by opposing dominance of the developed countries and turning it to renegotiation platform of neoliberal economic rules (Hopewell, 2017). Those countries tend to identify<sup>33</sup> themselves as a part and leader of the developing world and have their support for hard strategies through coalition building (Heldt, 2017). During agricultural negotiations since the early 2000s, decision making has been expanded to the developing countries, in particular to India and Brazil.

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claimed that identity related motivations, joint objectives, common economic interests, recognition or prioritizing commonalities, shortly put, social construction may also drive the countries from distance to form a strategic regional project (Meena, 2015: 38).

<sup>32</sup> The Doha round was nicknamed as the “Development Round” referring to the need for taking into consideration the interests and demands of the developing world.

<sup>33</sup> WTO is based on self-classification in terms of country status as developed or developing. Whether a country is developing or not is not determined top-down. Rather, the countries announce themselves as developing or developed.

Inconclusiveness of global level trade negotiations leads to decentralization of global trade governance, where multilateral framework is bypassed with regional, sub-regional and bilateral trade agreements. Some claim that regional trade agreements and trade blocs may lead to the clash of regulations among themselves and with the WTO (Verger, 2010), while some assert that they hinder multilateral effort in trade liberalization spearheaded by the WTO thoroughly (Senti, 2013; Bhagwati, 2008). However, some scholars claim that this fragmented multilateralism contributes to global free trade, and hence, to globalization, owing to the intra-bloc liberalization efforts (Freund & Ornelans, 2010; Powell & Low, 2011). It is not surprising that Regional Trade Agreements (RTAs) have become more preferred to reach a consensus on special issues with smaller number of participants with similar backgrounds, cultures, tastes, preferences and with their geographical proximities. For instance, it is easier for a country to protect itself against protectionist policies in a group rather than individually.<sup>34</sup>

The WTO (DSB) is not well functioning and needs to be reformed (Bown, 2017). Lack of new rules leaves an important gap in interpretation of the body to resolve political disputes among members. Even though reform of the DSB to modify rules was embarked with the Doha Development Agenda launched in 2001, it remained inconclusive. The WTO can be given as an example of mounting deadlock trend in global governance due to new sets of

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<sup>34</sup> Regionalism, as a concept worth briefly mentioning, stands at the junction point between globalization, emerging multipolarity and multilateral governance. Regionalism may arise from a development project between group of countries to collectively respond to the challenges of globalization (Hurrell, 1995: 39). It is believed that regionalism has a facilitator effect on emerging countries and has become a stepping stone for them to become more influential in the multilateral system given the fact that emerging countries are also regional power houses taking advantage of their leadership role in regional blocs. Being relatively more state-centric in their development path, emerging countries have played a crucial role in increasing the number and utilization of the RTAs and bilateral agreements after the failure of the Doha Round (Powell & Low, 2011, Lamy 2014). Furthermore, regionalism is expected to enhance integral reforms at the national level. So far, for instance, many RTAs, which were signed between advanced and smaller states, resulted in deeper integration through transfer of technologies and flows of FDI. According to the Ethier's model (1998), if a small country is a member of a bloc, it can enjoy a marginal advantage while attracting FDI over a country with the same conditions but without a bloc membership.

preferences (Stephen, 2017). In this sense, it can be claimed that emerging countries are essential for realization of reforms since they increase the diversity of preferences.

Particularly after the 2008-2009 global crisis, efficiency of global financial governance was placed at the center of reform debate. It remains inefficient and fragmented. Global financial governance is composed of various financial institutions. Today the G20 and the IMF stand as the central bodies after the 2008-2009 crisis.

One of the most notable achievements of emerging powers to close the obtrusive gap in global economic governance is the creation of the G20 as inclusive and informal forum-parallel to established institutions as a consequence of tendency to informality and fragmentation (Stephen, 2017). Alongside the formal Bretton Woods Institutions, current world order welcomes informal forums and discussion platforms such as the G7, the G8, the G20, IBSA, Global Governance Group (3G), Visegrad Four (V4), and Alliance of Small Island States (AOSIS) to deal with growing number of challenges that make the situation more complicated (Weiss, 2008). Penttilä (2009) defines this coexistence of informal and formal institutions and division of tasks between them as 'multilateralism light'. One of the crucial consequences of the 2008-2009 crisis was the replacement of the G8<sup>35</sup> with the G20 that includes a number of emerging powers which reveals Western recognition of emerging powers' global role. After the 2008-2009 global crisis, Leaders' Summit started to be held. At the 2009 Pittsburgh Summit, leaders designated the G20 as "premier forum for our international economic and financial cooperation" (G20 Pittsburgh, 2009). Even though crises have sparked off intense cooperation, the scope of the group is not only limited to crisis management but also includes coordination on many issues such as fiscal and monetary policies, regulatory policies, environmental policies, trade and investment, sustainable economic development, transparency and so on. As an informal communication channel, the G20 meetings, comprising of 19 major economies and the

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<sup>35</sup> It was after the 1999 Asian and Latin American crises, when the Finance Ministers and Central Bank Governors first met to coordinate financial policies.

European Union<sup>36</sup> in addition to non-state actors started to serve as an alternative cooperative mechanism and as an elevator for emerging powers, while dealing with fundamental financial and regulatory issues of development (Tok, 2013). Although it lacks a permanent secretariat, sufficient number of staff, binding rules and financial power, in terms of its inclusiveness and representation, G20 is regarded as the leading informal forum to reflect the economic competency of emerging powers and to indicate transformation of global order. Financial Stability Board (FSB) is another global economic governance body worth mentioning. It was founded by G20 leaders at their second summit in 2009. It was envisaged as the fourth pillar of global governance in addition to Bretton Woods Institutions to oversee the proper functioning of the financial system as successor to Financial Stability Forum<sup>37</sup>. However, it has not met expectations so far due to lack of power.

The IMF is expected to implement reforms to guarantee its relevance in the changing global economy. One of the most significant consideration areas in the Fund's governance is restrictive selection of the managing director. Outdated distribution of shares and votes is also an important reform area. A historic reform of changing the representation structure in the IMF to reflect better the growing influence of emerging economies was agreed by the G20 Ministers in 2010 to grant them more seats on the IMF's Board and to make a shift of 6 % of the votes towards some of the developing economies (Walker, 2010). It took years for this decision to be realized, and it finally came into force by 2016. Following the global crisis, one of the controversial issues has become shortcomings in IMF's emergency assistance. At the London Summit in 2009, G20 agreed to provide \$1,1 trillion global

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<sup>36</sup> G20 Members are; Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.

<sup>37</sup> It was founded by the G7 in 1999 to ensure cooperation between central bankers, financial institutions and finance ministers.



recovery plan.<sup>38</sup> However, the Fund could manage to increase its lending power to about \$1 trillion by 2018.

The 2008-2009 global crisis proved that reliance on a single currency means reliance on the macroeconomic mismanagement of that country. Accordingly, the position of the US dollar as the primary global currency of international settlements and reserves, and the US policy preference for exchange rate are being questioned by emerging countries. Broadened use of Special Drawing Rights (SDRs) as a reserve asset and changes in the composition of basket currencies making up the SDRs were demanded.<sup>39</sup> Especially, Russia and China made several attempts for the internationalization of Chinese Yuan. When the pressing reform calls increased after the 2008-2009 global crisis, Chinese Yuan was included in the basket of currencies of SDRs in 2016. However, the position of the US dollar as the global reserve currency is not estimated to change for quite a long time (Costigan, Cottle, & Keys, 2017).

Global development governance should also be adapted to changing dynamics. In development finance, some emerging countries have transformed from recipients to sources of finance for South-South cooperation.<sup>40</sup> Given the rise of emerging countries, structure

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<sup>38</sup> The BRICS countries also contributed to that plan. When the IMF agreed to provide €250 billion to supplement the EU's stabilization fund amounting to €500 billion in 2010, it had some cash shortcomings. In 2009, China pledged to lend the Fund by buying 50 billion dollar notes and Brazil, India and Russia lent by buying 10 billion notes separately. Furthermore, they provided a liquidity injection to the IMF amounting to \$75 billion in 2012. Seemingly, those countries have turned into important creditors in post-crisis period.

<sup>39</sup> Since the supply of the US dollar and gold was not sufficient, the IMF created SDRs in 1969 as an additional international reserve asset. If certain conditions are fulfilled, SDRs are allocated to member countries for debt financing in proportion to their quotas. The value of the SDRs is linked to the value of basket, which is currently comprised of important national currencies, which are the US Dollar, Japanese Yen, Chinese Yuan, Euro and Pound Sterling. Valuation and the composition of currencies are adjusted every five years (IMF, 2019b).

<sup>40</sup> Development aid architecture as the part of development governance is one of the issue areas, in which emerging powers seek to reflect their ideational preferences by using their tremendous economic success. Those non-traditional donors emphasize concepts like non-intervention, non-conditionality, national ownership and independence, equality and horizontal modality, self-reliance and self-help, and they embrace 'partnership' term instead of aid allocation from a donor to a recip-

and purpose of the World Bank should be reconsidered. As in the case of the IMF, the World Bank's voting shares remained unequal, which did not correspond to the rise of emerging powers. Historically, the World Bank has been led by an American, which appeared as a matter of dispute. This traditional election system should be replaced with a merit-based election of the president. The World Bank confronts with the rise of new alternative multilateral banks such as the BRICS New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB) filling the gap in global infrastructure financing for developing countries, who got tired of World Bank's conditionality.<sup>41</sup> Thus, it can be claimed that the bank needs to change its lending pattern.

None of the countries, including individual BRICS members, is currently leading the global governance reform. Disagreements in the Western club and inward-looking stances of the US government fundamentally undermine global governance. According Hart and Jones (2011), what can strengthen emerging powers' hands in multilateral negotiations against Western-driven proposals is the existence of a fractious Western bloc with divergent attitudes. In either way, systemic heterogeneity will have transformative impact on global governance (Stephen, 2017). On the other hand, in spite of deepening economic

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ient. However, skepticism is also underlined by many scholars, such as Hook and Rumsey (2016), Robledo (2015), Renzio and Seifert (2014), who assess the ability of those countries in creation of an alternative regime for development aid. Criticism focuses on dual identity (Gabas, 2009), heterogeneity to form a single voice, lacking domestic institutional aid strategies, lack of systemic and single monitoring, lack of publicly accountable cumulative figures, pursuance of national interest just like traditional donors (Woods, 2008; Fuchs & Vadlamannati: 2012), opening up markets for their own commodities, granting aid to corrupt and authoritarian regimes, and supporting dictators. Whether these new donors will be able to bring new solutions and innovation to the regime resulting in 'silent revolution' as Woods (2008) once put, remains to be seen.

<sup>41</sup> While the BRICS NDB is global in character, there are various regional multilateral development banks, which have been proliferating for decades to provide financial and technical assistance to the countries in need of fostering economic and social progress. While helping to reconstruct development sectors in countries, these banks have also increased regional integration. Among the most notable regional multilateral development banks are African Development Bank (1963), Asian Development Bank (1966), The Inter-American Development Bank (1959), Islamic Development Bank (1975), Nordic Investment Bank (1975) and European Bank for Reconstruction and Development (1991), Asian Infrastructure Investment Bank (2015).

integration, there are capacity deficiencies and differences among emerging powers, which will be covered in the following sections of this thesis.

There are some diverging views regarding the role of emerging powers. They are given a mission as being a bridge between the West and the rest by those, who approach multipolarity in a cooperative manner. For instance, Patriota (2017) considers existing multipolarity as transformative and considerably different than the 19th century's Eurocentric multipolarity but not as radically challenging to the existing order. This is in line with Acharya's (2004) conceptualization of normative *multipolarity*, which is more about shared rules and institutions to increase collective action. Some researchers do not approach growing multipolarity as moderate and reinforcing within the Western-led post-Cold War setting. Rather, they regard emerging countries and new institutions like the BRICS as radical, undermining and threatening structures within the existing system (Heilmann, Rudolf, Huotari, & Buckowet, 2014). However, evaluating the emerging powers as homogeneous group is misleading. This is not even the case for the BRICS, which constitute only a part in terms of number in the broad category of emerging powers. While some countries are revisionist, some are more reformist, some others display bandwagoning strategies. While increasing their economic growths, the BRICS countries with their different economic organizations that take the state as the important actor, different governance structures and their commitment on the principles of national sovereignty as well as non intervention raised questions over their impact on the current neoliberal global system.<sup>42</sup> Therefore, it remains to be seen if the system will be disrupted or maintained and multipolarity will be competitive or cooperative.

In addition to all of these, Wade (2013, p.81) argues that emerging powers will not be steering towards cooperation in the new era for the foreseeable future; rather Western states are still holding that position. To lead this process, new ideas should be generated. Emerging powers and the BRICS within it, cannot change the balance of power within the

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<sup>42</sup> This will be detailed in the country profiles part of the study.

global governance only through their economic strength, they need to undertake ideational and moral initiatives to reconstruct the still-resilient institutional foundations of the current system. As Stuenkel (2015) describes, current multipolarity is not only material diversity but is also ideological diversity. To this end, emerging countries and the BRICS particularly need to demolish their psychological sense of ‘being outsiders’.

There is a need for systemic adaptability through ‘ideational accommodation’ of emerging powers rather than systemic change as Biersteker and Moret (2015) suggests. Furthermore, countries that are regarded as emerging today may be more zealous to join the existing global order and would have stronger posture within it than to challenge it (Ferguson, 2015). Because it is not an easy task to make institutional design of the system more responsive to popular concerns since global political economy is not only the sum of economic flows, but it also comprises ideas, norms, rules and beliefs. To conclude, any transformation in global governance will eventually change the course of globalization. Although emerging powers do not seem to undermine global governance and to deconstruct the post-war multilateral network, there will be *multipolarity without multilateralism* (Wade, 2011: 349), if the emerging powers choose to go their own way due to failing reforms.

## CHAPTER 2: THEORETICAL FRAMEWORK

Constructivist theory, which originates from sociology, is taken as the theoretical framework in this thesis, since it has a strong focus on the nature of change, and it provides explanations for a wide variety of issues by combining material and ideational factors. Accordingly, in this section, basic tenets of the constructivist approach and its position within the global context will be covered. This approach is applied to understand the driving force behind the emergence and cooperation-based functioning of the BRICS, despite critical differences among them. On the questions of identity formation of the BRICS, constructivism provides a structural and holistic investigation.

### 2.1. CONSTRUCTIVIST THEORY OF INTERNATIONAL RELATIONS

Until the 1980s, in the International Relations (IR) discipline, rationalist understanding on ontological questions had dominated. For rationalists, reality can be understood with commitment to static, individualist and materialist explanations and social structure is made of immutable laws of politics, strictly determining interests and behaviors of actors. However, from the mid-to-late 1980s, this mainstream static and materialist assumption has started to be questioned, and pioneering studies of the constructivist<sup>43</sup> understanding of the IR have been put forth. In the late 1980s, an epistemological and methodological debate between rationalism and reflectivism has started. While rational theories use the positivist approach, reflectivist theories deny positivism and offer post-positivism.<sup>44</sup> In fact, in Adler's words (2005: 89), 'constructivism constitutes *a middle ground* between these two groups of theories' as detailed below.

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<sup>43</sup> Social constructivism, constructivism, constructionism and constructiveness are also employed in the literature. However, in the IR literature, constructivism is more commonly used.

<sup>44</sup> The debate between these two theories is not ontological but is rather methodological. Reflectivism stands for rejection of the positivist methodology of rationalism, and preference of interpretive and subjective study. More information on rationalism/reflectivism and positivism/post-positivism can be found in (Kurki & Wight, 2007).

It is important to look at the position where the constructivists stand in that middle ground since constructivist approach is not homogenous in itself, coming in a variety of traditions. When the debates on ontological and epistemological positions of the IR constructivism are considered, the difference between conventional variations and critical (interpretive) variations becomes apparent (Hopf, 1998). Conventional constructivism advocates (social) intersubjective approach for reality (Fierke, 2007), and hence it differs from rationalist theories in terms of ontological questions on reality. Criticism posed to rationalist approach by conventional constructivist scholars is regarded by some as '*the most sustained and elaborate*' (Brown, 2010) one. However, since conventional constructivism adopts the same empirical research strategies with rational theories (positivist epistemology) to analyze reality, it is believed to have secured considerable legitimacy by placing itself further away from reflectivism.

Critical constructivists, on the other hand, rely on post-structuralists' <sup>45</sup> insights and discourse analysis in social epistemology. However, in terms of ontological propositions, critical approach advocates come closer to conventional ones. Therefore, it can be claimed that both variations of constructivism take into account the role of social factors such as ideas, beliefs, norms, rules, interpretations, identities arising from interaction alongside the material factors, while determining interests, foreign policy outcomes and finally the structure<sup>46</sup>. It should be added that currently, these two variants are interwoven to some extent depending on the issues analyzed.

As a social theory (Barnett, 2011) or as a meta-theoretical approach, for some, constructivism does not offer appropriate behavior for actors; rather it draws a framework to explain the behavior. Basically, it emerged against extreme rationalism and formalization

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<sup>45</sup> Post-structuralism has engaged in IR discipline in the 1980s. It questions the universally accepted truths and claims that reality is dependent on interpretations, and it should not be based on assumptions that are 'taken for granted'.

<sup>46</sup> Structure refers to international policy area composed of shared meanings and institutions (Hurd, 2008).

that dominated the US scholarship. It is meaningful to note that constructivism does not deny pursuit of power and interest. Rather, it maintains that they should be dealt with their subcomponents, namely, fluid identities and ideas that make actors and the system organic in nature. Not only material components determine the interests and preferences but also social factors do. Thus, interests are dynamic and not purely pre-given by the system, otherwise, there would be homogeneity to greater extent in terms of state interests.

The fact that rationalist theories failed to foresee the end of the Cold War, which proved how ideas might have revolutionary influence in shaping interests, is believed to play a considerable role for the outbreak of constructivist approaches, which maintain that agents and the structure construct one another. For instance, the end of the Cold War pushed former Soviet Republics to consider their national identities to decide on their interests. As exemplified, interests are not fixed; rather they are in motion and transformation. According to this oppositional movement, which has been flourishing for years, international politics is made of multiple interactions between non-material forces and practices, and it is made of reciprocal construction between agents and the structure.

Nicholas Onuf (1989) is generally considered as the first theorist, who introduced constructivism to the field of IR. Onuf argues that starting position should be deeds not the facts and adds that that international politics is a '*world of our making*'. According to constructivists, whether social relations will be cooperative or conflictive is not determined by the anarchy itself. Firstly, change is always possible and secondly, it depends on the identities of actors and thus, their decisions. This adds constant dynamism to global relations. As one of the main figures in the constructivist debate, Wendt (1992: 395), whose famous saying 'anarchy is what states make of it' is kept in our minds, focuses on interactions and challenges the understanding of anarchy as a determinant of the international system. Wendt's arguments play a great role in the development of constructivism. Reus-Smit (2005: 199) provides threefold categorization of constructivism as systemic, unit-level, and holistic. While the systemic branch deals with international environment shaping state identities, unit-level constructivism puts domestic factors

forward. Holistic constructivism, on the other hand, advocates cross-level analysis and combines systemic interaction of units and internal dynamics to make room for broader range of factors and that can be adopted as a useful tool to understand the debate on changing patterns of global relations.

Alongside the IR, in the field of IPE too, constructivism has already appeared in the textbooks, introduced as one of the contemporary theories to reject crude-materialist understanding. For instance, Abdelal (2009) from the IPE scholarship, proposes a sophisticated constructivist-informed approach for evolution of the post-war economic order, which was explained as series of incidents and processes in the first chapter of this thesis. For Abdelal, behind the empowered market and depotentiated governments was a collective ideological turn to neoliberalism. Like any other ‘ism’s, neoliberalism is also socially constructed as a term, employed for what its advocates tend to believe, and it is subject to attribution of different meaning as well as diversifications such as ‘neoliberalism with Chinese characteristics’. However, as constructivists suggest, even though an economic model may have symbolic standing and may attract most of states in search for increasing legitimacy, it can change, and it can only be dominant but not absolute (Palan, 2000: 228). Moreover, in the literature, one can see how economic activity is believed to be socially constructed in a conceptual complexity, demonstrating importance of ideas, norms, collectively held beliefs and interpretation of past experiences that give meaning to material facts (Wilkinson, 1997). However, having categorized constructivism as a sociological subset of overarching ‘cognitive approach’, Cohen (2008), after his study of intellectual evolution of the field, finds that constructivism is still infant in both American and British Schools of IPE<sup>47</sup> compared to other rationalist and materialist theoretical tools, that is,

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<sup>47</sup> American School of IPE embraces more scientific model of empiricism and positivism. Scholars in the American IPE generally employ methodology of the economics, and they are mostly concerned with state behavior and global institutions. On the other hand, the methodology of the British School is more multidisciplinary that provides flexibility of toolkits. Normative questions about social issues are also within the scope of analysis in the British School. For more information on the American and British Schools of IPE, see Cohen (2008).



Liberalism, Mercantilism, and Marxism, with which IPE has made great progress as a subfield of the IR.

## **2.2. CONSTRUCTIVIST APPROACH TO GLOBALIZATION**

What makes constructivism appealing to understand globalization is its strong interest in the phenomenon of ‘change’ and ‘dynamism’. Constructivist approach to globalization suits well to this thesis in that it provides a critical view on the mere materialist interpretation of globalization. For instance, this approach reminds us the discursive construction of the term globalization itself. Skeptics, for example, view globalization only as a regular stage of historical process. Hence, there is nothing new in globalization. They question what constitutes ‘global’ in the term. They regard the term too broad to define the current world order (Held & McGrew, 2008). For some, the concept is as old as the first global commercial ties, while for some others the term belongs to the modern era (Wallerstein, 2011).

The role of identity in the constitution of state interests is emphasized by the constructivism. Identities of particular actors are believed to call forth particular sets of preferences and choices (Hopf, 1998). Palan (2004) finds a strong link between globalization and constructivism in that globalization has a direct effect on the state identity and thus state interests and preferences within the structure through its domestic and transnational restructuring forces.

It should also be noted that constructivists advocate that there is always potential to shape the neoliberal globalization. This is precisely how the neoliberal globalization is conceptualized in this thesis. Currently, globalization is based on Western-oriented values and beliefs. This has been consolidated with the global regulative bodies. For instance, in addition to the IMF and the World Bank’s neoliberal prescriptions, the GATT and its successor, the WTO have also imposed the idea that ‘open markets are beneficial’ and that

preferences of states should be built on the promotion of this idea. However, there is uncertainty regarding the future of globalization. Emerging powers are expected to contribute to the reconfiguration of globalization and its governance with their own interpretations and practices. However, although material contribution is acknowledged by majority, ideational contribution remains controversial. Thus, positive or negative contribution -this depends on the view and understanding of the holder- from all segments of international society may shape the globalization process. Those approaching globalization from critical point of view, and those advocating liberal policies define globalization differently. Hence, their policy-making processes naturally vary. For instance, how the BRICS define globalization matters as well. Do they believe that globalization is the imposition of dominant Western codes on the rest of the world or is it rather inclined to create new opportunities and general welfare? One can claim that the globalization process is shaped by these different conceptualizations.

### **2.3. CONSTRUCTIVIST APPROACH TO MULTIPOLAR GLOBAL GOVERNANCE**

Constructivist debate on institutions and norm<sup>48</sup> shaping is crucial to note. Role of international institutions is of great importance for many constructivists. Dynamics of norms have become more salient with the constructivist understanding. According to constructivism, alongside the domestic cultural norms and identities, international institutions and international norms are also sources of behaviors and practices. Global governance prescribes standard behavior in global affairs by setting legitimate boundaries for policy-making. Again in the case of global governance, it should be stated once more that material incentives and differences in relative power as a source of behavior is not denied (Hurd, 2008: 301). However, it is not taken as the sole source.

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<sup>48</sup> Defining norm as ‘shared expectation of behavior that connotes what is considered culturally desirable and appropriate’ (Scott & Marshall, 2009: 519) suits in this thesis.

Constructivism claims that decision-making process is bound to interaction between agents bringing about different possibilities. One of the most important dimensions to define that interaction is the norm. Norms are powerful and determinant in some cases. It was mentioned in the first chapter of this thesis that emerging markets integrated deeply into the global economy due to globalization. According to Chwieroth (2007), for instance, this trend cannot be grasped without diffusion of powerful neoliberal norms, particularly through economic experts, who are authorized in key policymaking positions. Those domestic actors shape the attitudes of emerging powers in the current system sometimes as dissidents and sometimes as adherents. Based on the constructivist approach, Halabi (2004) suggests the causality between positive perception of the developing states of the global regulative bodies and their motivation to make changes in their internal regulation systems as a step so that they support and implement the economic models of those global governing bodies that they conceive as superior and better. Grant (2018) embraces constructivist understanding as a tool to analyze norm dynamics and innovative interactions among states and non-state actors from non-Western world without denying the existence of material factors and of global structure and adds that any kind of norm may lead to any kind of transformative changes.

It is evident that how much meaning is ascribed to the international regulative bodies by emerging powers. Because as the constructivists argue, they are the non-fixed and inherently complex platforms in the international society, where ideas, rules and norms are created, embraced or rejected by the agents. Given the fact that their interpretation varies from one country to another, those bodies can be likened to living organisms just like the states. Their life span depends on the support and sustainable legitimacy of the others. The 2008 G20 Summit and 2009 Copenhagen Climate Conference are considered as indicators of how much emerging powers have increased their capacities within the global governance. But it should be noted that it is beyond materiality, it is also about how those states have positioned themselves within the structure. And those two can be regarded as the symbolic platforms, on which distinctive understandings of global governance

conflicted with one another, proving that identities and interests are not always exogenously determined.

Socialization is a process that constructivists give priority in order to draw the framework to analyze behaviors of actors. Within this process, Dee (2015) claims that reputational concerns matter and proposes that two possible scenarios exist for the balance between established and emerging powers in creating and shaping international norms. This two-way socialization process (Xiaoyu, 2012) may be in a way of jumping on the bandwagon for prescribed norms and internalizing them or of taking proactive role and creating distinctive norms that enlightens the future steps that may be taken by emerging countries if they cast the role of responsible global player for themselves.

Multipolarity is not only a shift in the balance of material power. It is also about the change in the state identities and roles resulting correspondingly from the shift in balance of influence. Public diplomacy discourse of states gives clues about how states and the structure shape one another mutually. Socialization process over time has changed the way of usage of the ‘multipolarity’ term. It is being instrumentally used by many states to show their self-image as powerful actors to the others (Scott, 2013). These interpretations may give a hint regarding how they identify their roles within multipolarity and thus, give an idea of the motives behind their behaviors in global governance. For constructivists, differences between states are not independent of their social roles.

As shortly emphasized in the first chapter, Southern deviation from the traditional aid regime, which is entitled as South-South Cooperation is a way of problematization of Western practices and an example of the multipolar world order. There is causation between material facts and ideas. Thus, identification of ‘North’ as a fixed donor and ‘South’ as a recipient does not suit to the changing material facts and accordingly, to the new role of the rising donors take on themselves. Therefore, the ‘intentionality and

acceptability' (Ruggie, 1982: 380) of that deviation should be assessed in the context of new social reality that is being constructed.

In fact, what lies behind the mainstream debates within the literature with regard to measurement of relative material capability of emerging powers, is how they position themselves in this socialization process. In the end, material power is something that feeds (or, in other words provide a basis for) ideational (intermediate) process and as a result, has an impact on the outcomes. Although most of the time that ideational intermediate process is denied, it gives meaning to the action through which an actor decides on whether it will use its material power and if so, which strategies it will adopt to use that power. Wendt (1995, 73) simply states that "*material resources only acquire meaning for human action through the structure of shared knowledge in which they are embedded*". Miller (2016), who incorporates internal recognition as a great power-to-be into that ideational process, argues that external conception of a country as an emerging power and capability calculations are not sufficient in order to be able to classify a country as an emerging power. Therefore, for substantial multipolar global governance, not just international support, but also legitimacy at home and self-identification are required on the part of emerging powers.

#### **2.4. CONSTRUCTIVIST APPROACH TO THE BRICS**

Increasing importance of the BRICS cannot be solely attributed to their material rise over the last decade but also to their interests and ideational coherence. When the cooperative and conflictive dynamics within the BRICS are considered, material factors are insufficient to explain the motivations behind the group. Ideas and beliefs also matter to understand what holds them together. As the BRICS annual summits underline, as will be explained in the next chapter, they have the ability of focusing on common interests regardless of their material differences.

It was O'Neill (2001), who conceived them. By no means, O'Neill's report with its strategic narrative ignited the fire, motivated those countries (BRICs then-without an uppercase S), and made them acknowledge their material capacities as stated in that report. After a while, the term he coined was found very promising and solid. The term shaped perceptions of many experts, investors and policy-makers, created a new cultural circuit of capital (Wansleben, 2013). It is of great importance for the BRICS to define individual and group identity. This made the BRICs countries, as the largest emerging countries, believe that they could play a symbolic role. They believed that they can make a substantial change in the global economic system by building a cooperation and furthering it. With their annual summits, forums, ministerial meetings, and all other gatherings, the member countries have become more convinced regarding their prominence.

Since the emerging powers are in a material transition, their identities are also not fixed which affect their foreign policy postures both individually and collectively within the ever-proliferating diplomatic groups. In order to explain the state of being stuck between self-identifications of developing and developed state and its consequence on the global governance, Hochstetler and Milkoreit (2014) analyze limits to coalition building in the case of the BASIC states (Brazil, South Africa, China India) in climate change negotiations and conclude that the tension between national identity and collective identity as members of a group makes the latter still evolving. This identity approach can also be applied to the BRICS to explain the roles of them in various negotiation processes and to understand whether they can be responsible stakeholders. According to the constructivist approach, collective identity can be formed if there are shared norms and goals among a group's members, which has a bonding effect on the group in the end. By embracing the constructivist approach, Duggan (2015) claims that the BRICS group is gradually acquiring a collective identity. This indicates an intra-group transition from a self-identity of members as emerging powers, which were excluded from decision-making processes in global governance to a collective group identity among members as game-changers.

Foreign policy preferences of the BRICS members towards forming of a group and towards deepening cooperation can be read from a constructivist perspective. Because convergence of their interests in the system and their aspirations cannot be only a sum of their material power accumulation, given their differences. For instance, according to Mielniczuk (2013), who argues discursive alignment and traces their changing identities by looking at historical evolution of each members' official discourses at United Nations General Assembly, ends up with a discursive conformity as 'multipolarity and developmental' when Brazil, Russia and South Africa finally had joined the China and India with resentment against neoliberal policies that worsen their domestic socio-economic conditions. What contributed to their interest-based convergence is changing characters of members' identities shaped by interaction within the structure (Wendt, 1999) and their beliefs that they are excluded from the places, where they think they belong to. Furthermore, it should be noted that, if the exogenous factors were always determinant on interests just as realists theory argues, those countries would not materialize the acronym into a concrete group given the historical disputes or potential high security problems between some of them.

The BRICS countries view themselves as like-minded outsiders. Surely, domestic and international legitimacy should also be taken into account in that sense. In order to achieve their 'global transformation' goal, they need a substantial ideational base. They should convince their own societies and international society that this group could be fruitful for them. Admission of South Africa, which is a country that falls far behind the other members materially, into the group can be taken as an effort to this end. It should also be noted that even though the BRICS countries started to grow at slower rates after 2010, which is a material descension, emerging countries are still identifying the group as 'useful vehicle to promote South- South Cooperation' (Stuenkel, 2015: 20). It can be claimed that, the BRICS are differentiated according to the social role attributed to them.

They should be aware of the fact that cooperation and confrontation are also determined by beliefs. As will be detailed below, communication networks, primarily annual summits between BRICS countries shape those beliefs. Common beliefs are built through summits

and dispersed among the states, which creates cooperative disposition. How they appraise their own material capacities, to which goals they pay attention that are materially attainable, whether there is a genuine anti-Western sentiments within the group, how they perceive other developing countries and how they position themselves in norm diffusion can be seen in the way they form new organizational structures, in the way they are interact, in their tendencies or reluctance to cooperate further, in the new institutions they have created.

To sum briefly, the reason for taking constructivism as an analytic tool in this thesis is the fact that it is well established and explanatory to understand the triplet relationship between globalization, multipolar global order and the BRICS. As argued above, constructivism's embedment of 'social forces' in the core of material power exercise and in the cooperation between states seems applicable to the assessment in this thesis. It can be claimed that the more the group creates powerful shared norms that generate collective identity, the more enduring it will be.



## CHAPTER 3: THE BRICS COUNTRIES

This chapter provides an overview of the evolution of the BRICS group from an investment acronym to a political-economic group. Its institutionalization process is covered with significant points. Thereafter, this chapter maps out socio-economic profiles of the BRICS countries from a macroeconomic perspective. Finally, in order to keep the analysis more holistic, soft power projection of the BRICS is also explained.

### 3.1. FORMATION OF THE BRICS

From out of mere idea, the BRICS has turned into a concrete political economic forum. As stated in the introduction of this thesis, the origin of the BRIC (without 'S' then) has a Western source, that is, Goldman Sachs papers. The chief economist of Goldman Sachs, Jim O'Neill, introduced the term 'BRIC' to the investment market in 2001, predicating his idea on the arguments that those countries would play an important role in the global economy and policy-making forums and that the G7 should accommodate them for more effective global policy-making.

The acronym gained a political meaning in 2006 when the BRICs Ministers of Foreign Affairs met for the first time on the margins of the 61<sup>st</sup> UN General Assembly in New York and gave out their interest in multilateral cooperation. This was followed by several meetings at different ministerial levels. At that stage, it was just kind of an inter-state dialogue. Decisions to boost cooperation arose from those meetings. Head of States of the BRICs countries met for the first time on the sideline of the G8<sup>49</sup> Summit in 2008 and decided to hold the first BRICs Summit.

Global financial and economic crisis gave great momentum to the leaders to cooperate further and the first annual BRICs Summit was held on 16 June 2009 in Yekaterinburg,

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<sup>49</sup> Russia was a member of the G8 before Crimean annexation in 2014, and India and China were invited as non-member countries.

Russia. By extending initial investment group context, their main objective emerged, that is, working on for '*more democratic and just multi-polar world order*' through policy coordination and political dialogue (BRIC Yekaterinburg, art. 12). While envisaging a new world order, they emphasized sovereign equality of states, mutual respects on autonomy and diversity, non-intervention, collective decision-making, and inclusive global growth (Cooper & Farooq, 2013).

Foreign Ministers of the BRIC countries decided to accept South Africa as a member in one of their meetings in 2010 and the country was invited to attend the 3<sup>rd</sup> BRIC Summit held in Sanya, China in 2011. Cooper (2018) describes this expansion as '*recalibration of the BRICS away from the Goldman Sachs model*'. Thus, the BRIC transformed into the BRICS with a new geographically global character.

This group, with no permanent secretariat, can be currently put under the category of informal intergovernmental organization (Vabulas & Snidal, 2013). As Cooper and Farooq (2013) claim, this loose organizational style not only reduces the transaction costs and less policy changes required from members, but provides flexibility to bring forward the issues, in which they have converging interests and to downplay those, in which they have disparate perspectives. In a similar vein, Larionova et al. (2016) stress the features of this kind of cooperation style such as limited membership, flexibility, lower bureaucracy, peer pressure instead of legal binding.

### **3.1.1. Cooperation Framework of the BRICS**

In order to understand how this group operates, the level of their engagement should be detailed. There are many sector specific communication channels formulated in accordance with their pragmatic purpose, which accelerates political cohesion between them. These occur at three levels within the group, which are diplomatic level between national governments, cooperation among government-affiliated agents in the form of forums, councils and joint activities, and lastly, people-to-people level. In accordance with

decisions made in those gatherings, joint declarations, annual calendars, memorandums and action plans are determined to carry out activities. Additionally, the BRICS members developed two significant informative tools. One of them is BRICS Compliance Report to declare an official evaluation of compliance of member countries. Secondly, BRICS Joint Statistical Publication is being launched annually to quantitatively represent development and changes with recent data.

The BRICS cooperation efforts can be characterized as gradual and ever-evolving. In the field of agriculture, steps to build cooperation were taken at early times. Agricultural trade and investment, agricultural technology and capacity transfer and food security<sup>50</sup> have been placed among the issues at the top of agenda so far. The BRICS Ministers of Agriculture and Agrarian Development held a meeting for the first time in 2010. A year later, BRICS Agricultural Cooperation Working Group was created in 2011 and that group drafted an Action Plan for 2012-2016 Agricultural Cooperation, which was approved in the second Ministerial Meeting held in 2011 (Ministry of Agriculture and Farmers Welfare India, 2018). In 2017, Coordinating Center of the Agricultural Research Platform was set up. All are the important agricultural initiatives in that the BRICS, which make up more than 40% of global population, can play a dramatic role in global food security and in responding the needs of rural societies. Standing among the major states shaping global agricultural trade patterns, all BRICS countries are ranked within top twenty major exporters of agricultural products, and have increased their share considerably since 2000 (FAO 2018, p. 6).

Another early cooperation area is finance. Right after the global economic and financial crisis, the BRIC Finance Ministers met for the first time in São Paulo in 2008 for consultancy to assess the extent of the damage. It took place a week before the first G20 Summit. That meeting signaled that Brazil, Russia, India and China were willing to use that platform for actual cooperation. And the BRIC countries reported their commitment to

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<sup>50</sup> It was as early as 2009, when a Joint Statement on Global Food Security was adopted during the First BRICS Summit.

global governance reform by stating that ‘we also discussed proposals put forward by the countries on reforming the global financial architecture’ (BRIC Finance Ministers, 2008: art.1). Demands were not limited to the IMF and the World Bank. Broadening of the Financial Stability Forum was also regarded as an urgency for better representation (BRIC Finance Ministers, 2008).<sup>51</sup> Since that time, Finance Ministers and Central Bank Governors have been meeting regularly on the sidelines of the G20 Meetings as well as the BRICS annual summits for better institutions, harmonization of regulations and standards as well as development of financial markets. National Development Banks of BRICS members were also included within this broad network of cooperation with their first meeting held in 2010 (Stuenkel, 2015). Establishment of a credit rating agency is also placed within the BRICS agenda to alleviate the pressure on the emerging market economies put by the Western rating agencies. To this end, a cooperation process on consultation and knowledge sharing was started among national agencies. However, an alternative credit ratings agency (RA) has not been materialized yet. According to a study based on a monthly data from 2005-2014, intra-BRICS financial integration genuinely exists, albeit incomplete, and integration will be increasing in the long run (Vineesh Prakash, Nauriyal, & Kaur, 2017).

Trade and investment are among the most crucial cooperation areas of the BRICS countries. Importance of trade and investment and the need for curbing trade protectionism were put quite earlier, at the 2009 Summit. The BRICS Interbank Cooperation Mechanism was founded among development banks of the member countries in 2010 to facilitate investment cooperation. Since the first meeting of Trade Ministers in 2011, promotion of the intra-BRICS trade and investment has been paid great attention. For that purpose, the BRICS Business Council was established in 2013. This was an important step to put the public and private interests in the same pot. Another important development on the same year was the BRICS Trade and Investment Cooperation Framework. Each year, Trade Ministers of the BRICS meet prior to summit meeting and address various issues ranging from fighting for trade and investment protectionism to lately included issues such as e-

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<sup>51</sup> Cooperation on global economic governance reform is detailed below in the fourth chapter.

commerce and Intellectual Property Rights. Customs authorities have been annually meeting and a Customs Committee was created. The Contact Group for Economic and Trade Issues (CGETI) is instrumental to propose guidelines to further cooperation. Moreover, The Strategy for BRICS Economic Partnership was acknowledged at the Ufa Summit, Russian Federation in 2015 with the objective of '*...increasing the economic growth and competitiveness of the BRICS economies in the global arena*' (BRICS Ufa, 2015a: 4). Another remarkable development was the Outlines for BRICS Investment Facilitation Cooperation agreed in 2017, which is the first specialized document produced in the field of global investment facilitation. As an example of greater integration, BRICS countries decided to contribute to the UNCTAD (BRICS New Delhi, 2012).

In some sectors, ministerial level cooperation started relatively late, showing that the BRICS is a group, whose cooperation evolves gradually. For instance, Ministers of Science and Technology began to meet in 2014 in South Africa. Ministerial meetings have expanded further and the first BRICS Meeting of the Environment Ministers was held in Moscow, Russia, in 2015 and has been continuing annually.

As stated above, the BRICS cooperation is not confined to intergovernmental diplomatic level. For instance, the BRICS Academic Forum has taken place since 2009 and the BRICS Think Tanks Council has been operating since 2013, which constitute significant part of the cooperation. They serve as platforms for researchers to build personal connections and to discuss issues of importance and come up with fresh ideas. However, Academic Forum is criticized in that it only welcomes pro-government academics and civil society groups and hence, the selected ones do not represent the societies properly (Garcia & Bond, 2015; Gumede 2018). The BRICS Film Festival is another informal significant medium to incorporate the societies into an exchange of information, ideas, values and cultural understandings. As a mechanism for cultural diplomacy, the BRICS Film Festival was first held in New Delhi, India in 2016, and it was followed by the second organization taken place in Chengdu, China in 2017. In the area of media, the BRICS took some steps, too. The Action Plan of Promoting BRICS Media Cooperation, adopted at the BRICS Media

Forum held in 2017 can be an opportunity for them to have discourse power and to offer alternative to West-oriented Information Systems to exert influence on global public opinion (Dongmiao, 2017). Last but not least, the BRICS Civil Forum started in 2015. The forum brings representatives of the civil society from BRICS member countries together. This is one of the most important initiatives that provides a discussion platform that might eliminate top-down image of the group cooperation in time. This is one of the most repeated criticisms directed to the group. In some of the BRICS countries, civil society is narrowly represented in formal policy processes whose inputs in decision-making processes are most of the time restricted and marginalized by the governments, particularly in Russia and China, due to highly controlled political freedom (Poskitt, Shankland, & Taela, 2016). Therefore, civil society initiative may have a positive effect on the adverse attitude of the member countries towards civil society organizations. However, Thompson and De Wet (2018), assess the non-governmental organizations' engagement to the BRICS dialogue as minimal in terms of strategical effectiveness. It is because of the fact that its frame is still created by the governments and the civil organizations do not have a unified position towards the BRICS. In a similar vein, Gumede (2018) states that in order to democratize the BRICS dialogue, civil society organizations should have strategic role in determining the priorities, setting the agendas, exchanging the ideas, providing alternative development approaches and evaluating the steps taken. As seen from the counter-Summit held by grassroots organisations and academics which took place outside of the official agenda in Durban in 2013, a meaningful representation of civil society within the BRICS dialogue was demanded strongly especially by the people in the 'BRICS from below' movement (Garcia, 2015).

### **3.1.2. Analysis of the BRICS Summits**

Examination of the summits is helpful in observing the evolution of the group in a dynamic fashion. Hence, this subsection covers these summits briefly. Member countries find opportunity to drive their agendas, while hosting the summits. With broadening agenda including economic, political and social dimensions over years, the BRICS summits can be

considered as an example of diplomatic activeness, reinforced by cooperative tendencies and pragmatic views of member countries. Consecutive summit process in a rotating chairmanship was inaugurated in 2009 as high profile gatherings with the Russian initiative. After each summit, joint statements have been declared. New areas and issues are identified to cooperate in. It is important to note that the number of issues covered and the volume of statements have increased in time. Even though summit results are unbinding, they bear symbolic significance.

Although there are countless subjects handled at those summits, the most prominent ones will be touched upon below to specify how much policy harmonization they have achieved in great number of issues, which common visions they share on important subjects and how deepened their relations have become. In so doing, one can grasp how they position themselves in global development and governance cooperation, and how they interpret their material capabilities as well as compatibility.

At *the first Summit* held in Yekaterinburg in 2009, two overarching themes emerged signaling future cooperation. Since it was held a year after the 2008-2009 global financial and economic crisis, evaluations revolved around implications of global crisis on global economic governance. In the First Summit declaration, role of the new G20 Summits as a policy-coordinating platform in financial and economic arena as well as the need for commitment to G20 Summit decisions by all parties were stressed. Seemingly, by positioning themselves as the outsider of the current global governance, and at the same time, of the representatives of emerging countries, they demanded for reform of International Financial Institutions to ensure '*greater voice and representation*'. They shared their aspiration for an inclusive '*multi-polar world order*', while prioritizing '*multilateral*' cooperation within the existing system through dialogue promotion *inter se* (BRIC Yekaterinburg, 2009). Other main theme covered at the summit was the sustainable development, including topics such as food security, energy security and climate change. This indicated that the Summit not only addressed hot topics, but it also created an environment for further cooperation.

*The Second Summit* was held in 2010 in Brasilia. Since it was also held under the shadow of the financial crisis, the G20 was appreciated once again as the main forum of global economic coordination in that it was viewed as ‘*more inclusive, diverse, representative and effective*’. The need for urgent reform of the IMF and the World Bank was reiterated in terms of voting power and selection mechanism of the senior managements of those institutions (BRIC Brasilia, 2010). The group grounded those demands on the global power shifts. In a similar way, one can see how they define the G20 and ideationally place this multilateral forum in the core of global governance. At this Summit, the BRICS focused on global, regional and local problems such as energy, climate change, poverty, agriculture and terrorism.

At *the Third Summit* held in Sanya, China in 2011, South Africa joined the group. This expansion to the African continent shows that the group acts with a strategic depth. When the joint communiqué of the Third Summit is considered, it is seen that Global South was dissatisfied with inequitable distribution of wealth. Need for urgent reform in global economic governance as well as more equitable representation of developing and emerging countries were reiterated by the member countries. Furthermore, slow pace of global political governance reform was expressed by putting Brazil, China and Russia to the forefront:

*“China and Russia reiterate the importance they attach to the status of India, Brazil, and South Africa in international affairs, and understand their aspiration to play a greater role in the UN”.*

It was the first time that the UN reform was expressed. They reiterated their aspiration for deepening cooperation on many issues going beyond finance. It was important for them to define their intra-group relations as ‘*non-confrontational*’ and the group as an important actor that promotes global public good (BRICS Sanya, 2011).

At *the Fourth Summit* held in New Delhi, India in 2012, two important agreements were signed to facilitate trade and investment relations within the group by using local currencies. They were The Master Agreement on Extending Credit Facility in Local



Currency and the Multilateral Letter of Credit Confirmation Facility Agreement. As explained below, creation of the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) were also on the agenda (BRICS New Delhi, 2012), which made this summit the watershed in the history of the BRICS. Those steps can be interpreted as reinforcement of material base and interdependence of the group. Within the joint communiqué, leaders also expressed the need for increase in R&D, capacity enhancement of innovation in health, energy and food. It shows that the states are willing to become pioneers in knowledge-based economy. Besides, at this summit, the group showed that they were highly concerned with the current and long-standing stability problems in the Middle East and North Africa, and they revealed their stances regarding these issues.

During *the Fifth Summit* held in Durban, South Africa in 2013, under the theme ‘BRICS and Africa: Partnership for Development, Integration and Industrialization’, African problems were prioritized. The subjects of institutionalization process of the African countries and mechanisms, which were believed to be able to be reformulated by the BRICS countries to contribute to that process, were addressed. Furthermore, African governments were also invited to the Summit as a part of dialogue pattern called ‘BRICS+N’. This expression of a need for more coordination and cooperation with non-members is significant. First BRICS Leaders Africa Dialogue Forum was held during this summit. In the Fifth Summit declaration, there was a repeated call for a reform of the global financial institutions. Another important point within the final declaration is how much emphasis was placed on the global peace and security, and how concerned the member countries were about geopolitical problems such as the situation of Syria, Palestine, Mali as well as issues of global terrorism, and UN peacekeeping (BRICS Durban, 2013). The most important consensus reached at this Summit was broadening their cooperation agenda stated as ‘*progressively developing BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues in the world economy and politics.*’ (BRICS Durban, 2013: art.2 ). As will be elaborated on below, during this Summit, two important steps were taken; establishment of the NDB and the CRA were agreed on, which would financially bound member countries more together.

*The Sixth BRICS Summit* was held in Fortaleza in 2014. During this Summit, a working session was organized between the BRICS leaders and South American leaders. One can see how state capitalism has become more insight with the rise of the BRICS. In their different definition and interpretation of capitalism, the BRICS countries explicitly stated that they attach importance to the State Owned Companies (SOCs) in their joint statement. The NDB and the CRA agreements were signed by the members, signifying some substantial progress of financial cooperation. Moreover, *Memorandum of Understanding for Technical Cooperation between Credit Agencies and BRICS Exports Guarantees* was signed to enhance trade opportunities (BRICS Fortaleza, 2014).

*The Seventh BRICS Summit* was held in Ufa in 2015, and the Summit placed strong emphasis on 'connectivity'. The BRICS leaders came together with Eurasian Economic Union and Shanghai Cooperation Organization members. They introduced the idea of connectivity, whose main aim is to create harmonized strategies to create dynamism and to address regional issues. During the Summit, a comprehensive document entitled *Strategy for BRICS Economic Partnership* was negotiated, and adopted to consolidate policy coordination almost in all areas of cooperation as trade, energy, agriculture, manufacturing, science and technology, investment and financial cooperation. One of the most important things stated in joint statement was stress on the principles of *openness, solidarity, equality and mutual understanding, inclusiveness and mutually beneficial cooperation* within the group (BRICS Ufa, 2015). Fight against terrorism, sustainable growth, climate change, and cultural cooperation were other subjects that were addressed broadly. It is also noteworthy that the members expressed their commitment on the respect for sovereignty and non-intervention in global security issues.

*At the Eighth BRICS Summit*, held in Goa in 2016, India, leaders addressed various challenges and aspects of world affairs such as climate change, fight against terrorism, non-intervention, economic sanctions, internet security, the use of outer space in the joint communiqué to find solutions to '*further enhancing of our (their) collective efforts*' (BRICS Goa, 2016). This demonstrated how much focused they have become on the role of

the BRICS in international affairs and how broadened its scope has become. Following the Summit, member countries of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) joined the dialogue upon invitation. The establishment of Credit Rating Agency was first proposed at this Summit. Establishment of the BRICS Agricultural Research Platform and the establishment of a BRICS Customs Cooperation Committee under the BRICS Strategy for Economic Partnership at this Summit is an indication that the countries are going after what they have strength in. These were the steps taken to move their agenda forward.

Before the 2017 Xiamen Summit China had proposed upgrading of BRICS+N to BRICS+ arrangement through which not only regional developing countries but also other non-member countries could participate to the Summits upon invitations of the host country. And the leaders of Egypt, Guinea, Mexico, Tajikistan and Thailand were invited to the Summit. The theme of *the Ninth Summit* was '*BRICS: Stronger Partnership for a Brighter Future*'. Xiamen Summit Declaration was adopted on 5 September 2017. Sustainable and inclusive growth and innovation investments to achieve these goals were highlighted. Agriculture and food security were assessed under the framework of energy efficiency and technology enhancement. An action plan for innovation and cooperation was signed. It was also stated that closer relations with non-BRICS emerging powers would be built in an '*equal-footed*' fashion. Furthermore, at the Summit, opposition to trade protectionism and anti-globalization was evident. It was expressed that BRICS would be making concerted efforts to promote freer trade and investment, and would eventually contribute to fairer economic order (BRICS Xiamen, 2017).

*The Tenth Summit* of the BRICS was held in Johannesburg, South Africa, in 2018 when the US fell into trade disputes with many great powers like China and its allies like the EU. This Summit represents the end of the second hosting cycle of the group. BRICS+, which had started previous year, was extended upon invitations of more countries, which

increased global visibility of the group.<sup>52</sup> Decisions were made on gender issues, energy security, tourism partnership, transparent and multilateral trade. Leaders seemed to establish a common front against trade wars. Protracted conflicts in the Middle East and North Africa were regarded as issues of immediate urgency. And the Summit was followed by Johannesburg Declaration, pointing out their commitment to reforming global governance, multilateralism, certain implementation of the SDGs and Paris Climate Agreement, and people-to-people cooperation (BRICS Johannesburg, 2018).

In summary, their cooperation style and the areas that they address have become diversified over time, as can be seen from the above outline of the Summits. While the number of clauses agreed on in the first summit was only 15, the declaration stretched to 102 numbered paragraphs in the 10<sup>th</sup> summit. Although this extension may be risky, it also broadens the subjects of common interest. Within the Summit process, the BRICS countries set the agenda on their own with a complete control, without a room for Western countries. And through comminiques, they reveal their common vision on the issues they address. Even though the communiqués do not have binding obligations for the members, they carry symbolic significance, and they reveal a lot about common purpose and the coherence of the group. Notwithstanding the lack of binding clauses, they display confidence while making commitments, which may exert pressure on the Western countries. In the summits, they identify themselves as alliance of countries with a commitment to sovereignty and non-interference (BRICS Sanya, 2011).

When we look at the compliance reports (BRICS Research Group, 2018), which assess compliance performances of the member countries<sup>53</sup>, BRICS compliance is at 75% average for the period between 2011 and 2017. According to these reports, the subjects of

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<sup>52</sup> The invitation criterion was a term presidency of an international organization.

<sup>53</sup> These reports are prepared by the BRICS Research Group at the Russian Presidential Academy of National Economy and Public Administration and by the Global Governance Program at Trinity College in the University of Toronto. For more information see: <http://www.brics.utoronto.ca/compliance/index.html>

commitments that the BRICS countries prioritize more are trade, international cooperation, development, global governance reform, and regional security.

Even though the group started with a motivation of responding to the global crisis, they enhanced club culture and articulated common position on a wide range of key and sophisticated issues, generated by globalization. What is common of each Summit, however, is the stress on the participation of developing world in global governance, highlighting the reformist nature. As the 2008-2009 global crisis destabilized growth rates in member countries, shared grievance to the Western states and a critique of the financial system were inevitable. The BRICS countries have reiterated their commitment to global economic governance reform at each Summit, which underscores their determination to work with the international community to promote reforms and development. As seen from the Summits, the BRICS countries pay attention to development cooperation. Exchange of experience, sharing know-how, dialogue building are stressed by the members to strengthen their development cooperation. However, considering the increasing number of commitments and ambitious agenda, the BRICS should yield much more tangible results in addition to the NDB and the CRA in development cooperation.

Another important point to consider is the strong network of connection that the group seeks to build with the BRICS+N and BRICS+ initiatives, which shows that the member countries portray the group as an inclusive club. Time will tell whether the expansion have necessarily positive outcomes in terms of consensus-building. Furthermore, inclusion of the civil society into the dialogue is crucial for the members since the group confronts with an oppositional backlash from certain grassroots activists. Summit processes and ministerial meetings or official debate forums should be enriched with the participation of civil society. As Pomeroy, Shankland, Poskitt, Bandyopadhyay and Tandon (2016) claim, through the summits that take place in different cities, the BRICS countries can address development problems of those cities with the help of local civil society groups while debating on the issues regarding the international roles of the countries.

It can be concluded that the BRICS serves as an important example of cooperation by expressing their strong commitment to major global issues, and they speak as one voice on those issues. As can be seen from the covered issues in those Summits, the self-appointment of the BRICS as the representative of the developing world increases the burden of responsibilities and expectations on them.

### 3.2. COUNTRY PROFILES

There are many arguments regarding how internal dynamics of the BRICS countries would affect the future of the group, considering how varied their socio-economic landscapes are. Accordingly, the main aim of this section is to give the general outline of these countries as a group, and then, individually by scrutinizing their recent history of economic development, and by exploring their current economic performance as well as socio-political environment. While analyzing the latter, this section prioritizes their main weaknesses and strengths since each country has different national features that bear importance to be highlighted.

Key indicators of the BRICS countries are provided below in Table 1:

	Brazil	Russian Federation	India	China	South Africa
Government Types	Federal Presidential Republic	Semi-presidential Federation	Federal Parliamentary Republic	Communist Party-led State	Parliamentary Republic
Population (2018)(million persons)	209,469.33	144.47	1,352,617.33	1,392,730.00	57,779.62
Average Annual Population Growth Rate (%) (2007-2017)	0.92%	0.09%	1.18%	0.50%	1.25%

Average GDP Growth Rate (2000-2008)	3.8%	6.9%	6.1%	10.4%	4.2%
Average GDP Growth Rate (2009-2018)	1.2%	0.9%	7.1%	8%	1.5%
GDP Growth Rate 2018	1.1%	2.3%	7%	6.6%	0.6%
GDP (current \$US) (2018)	1,868,626	1,657,554	2,726,323	13,608,152	366,298
GDP per capita (2017) (2011 PPP\$)	14.103	24.776	6.427	15.309	12.295
Unemployment rate (% of total labor force) (modeled ILO estimate) (2018)	12.5%	4.7%	2.5%	4.4%	27%
Trade (% of GDP) (2017)	24%	47%	41%	38%	58%
FDI inflow (% to GDP)(2008-2018 average)	3.49%	2.24%	1.99%*	2.63%	1.48%
FDI inflow (current US\$) (1990)	989 million	1.1 billion <sup>(1992)</sup>	237 million	3.4 billion	-75.7 million
FDI inflow (current US\$) (2008)	50.7 billion	74.7 billion	43.4 billion	171.5 billion	9.9 billion
FDI inflow (current US\$) (2018)	88.3 billion	8.8 billion	39.9 billion <sup>(2017)</sup>	203.4 billion	5.4 billion
Ease of doing business ranking	109/190	31/190	77/190	46/190	82/190
Total reserves (includes gold, current US\$) (millions) (2018)	374,709.67	468,645.22	399,167.16	3,168,216.33	51,642.04

Human Development Index (HDI) Ranking (2017)	79 <sup>th</sup>	49 <sup>th</sup>	130 <sup>th</sup>	86 <sup>th</sup>	113 <sup>rd</sup>
Income Inequality (Gini Coefficient 2010-2017)**	51.3	37.7	35.1	42.2	63.0

Sources: World Bank Data, UNDP Human Development Data, World Bank Ease of Doing Business Ranking, UNDP Human Development Index

\* Data covers 2008-2017 periods.

\*\* Data refer to the most recent year available during the period specified.

The key features of the BRICS countries are their large populations (together over 40% of the global population), with expanding middle class and ongoing socio-economic transformations. All members fall into the category of large regional powers in the global order (Li & Marsh, 2016). These countries have shown remarkable economic growth rates over the past years. While combined share of the BRICS in global GDP in nominal terms was 16% in 2009, it constituted 23% in 2017, and it is expected to rise to 27% by 2023, for the G7 states for the same years, the share decreases to 52%, 46% and 41%, respectively (Goodrich, 2018). When measured in PPP, their combined share stands more as 32% in 2017 (Goodrich, 2018). While the average annual GDP growth rate was 3.4% on a global scale during the 2000–2008 period, the averages of the BRICS countries remained above this, albeit with varying rates as seen in the Table 1 (World Bank, 2019b). At this point, it is important to briefly touch upon the changing dynamics in economies of these countries in the post-global crisis period in that it constitutes a rationale for many observers and commentators to underestimate the potential of the group. Currently, China and India are the main engines of the aggregate economic growth of the BRICS. They have maintained their growth rates even after the 2008-2009 global financial and economic crisis, and have surpassed the other three members by a wide margin in recent years. While the average annual GDP growth rates of China and India between 2009 and 2018 ranged between 7-8 %, the other three members had growth rates between 1-2% for the same period as seen from



the Table 1. In fact, except Russia, the BRICS countries were not immediately as badly hurt as the developed economies.<sup>54</sup> Nevertheless, decline of their growth rates was inevitable as seen in the Table 1. After 2010, the GDP growth rates of China and India declined to lesser extent, and that of Brazil declined sharply. Russia, on the other hand, recovered in 2010 after a year of negative growth in 2009. However, the growth rate slowed down again and the country fell into recession in 2015 and it has been recovering. Like Russia, South Africa recovered until 2011 after a recession in 2009 and thereafter its growth rate has slowed down.

As stated in the first chapter of this thesis, like the other emerging countries, the BRICS countries have flourished within the structure of neoliberal global economic order. The BRICS countries have become significant participants and beneficiaries of the global free trade system. While the share of the BRICS in global exports was 8% in 2001, it was recorded 16% in 2011 (Sharma, 2018). Their share has increased to about 18.4% in 2017 (Undata, 2019). They have gained importance in the world economy as resource suppliers and producers of goods and services. However, as the latecomers in the global economy with growing potential, the manufacturing sectors of the BRICS in the global value chain are positioned relatively lower (Hao, 2018). Regarding this case, Ye and Voigt (2014) stress the Chinese supremacy over other BRICS countries in the global value chain and add that if the group increases its economic ties further, Chinese success could disseminate to others as well. To become competitive in the transnational value-added production chain, the BRICS should have innovation-seeking private entrepreneurship, internal balance and freedom, according to Valladão (2016).

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<sup>54</sup> One of the most important reasons for the resilience immediately after the crisis was the ‘China factor’. As Bond (2018) puts, commodity boom driven by the Chinese demand hiked the prices up for Brazil, South Africa and Russia as commodity exporters. With the commodity price fall within a couple of years later resulting from decreasing demand from China, as will be detailed below, current account balances of those countries worsened. Russia and Brazil fell into recession in 2015. In a similar vein, Belke, Dreger and Dubova (2019) emphasize the fiscal stimulus programme launched by China in the wake of the 2008-2009 global crisis as the determinant factor behind the avoidance of an initial economic downturn in resource-rich emerging countries. This shows how intertwined their growth trajectories have become and the crucial role that China plays.

In spite of their rapid economic growths, the BRICS countries have structural social problems. Hence, even though the BRICS countries have experienced rapid growth for a while, the quality of life in vast majority does not complement this rapid growth. Due to slow social development, some researchers approach to the group cautiously and maintain that more has to be done (Lobato, 2018). In spite of the fast growth rates, the BRICS countries still have lower GDP per capita, higher unemployment rates, lower HDI rankings, higher gini coefficient compared to the developed world. It can be claimed that in order to become the voice of the developing countries, and to demand more democratic global institutions, member countries should solve their socio-economic vulnerabilities, strengthen their infrastructures, and transform their weak domestic institutions. Accordingly, step by step, the BRICS countries have been implementing public administration reforms to ensure equitable development, encompassing participatory institutions and participatory culture, while confronting both with achievements and newly-emerging problems in that course (Smorgunov, 2018). The persistence of domestic inequalities within those countries stand as obstacles in front of the BRICS to become development models for the developing world.

All the BRICS countries entered into structural political or economic reform processes at certain times in their recent past, albeit with different policy implementations. As will be detailed below, despite those market-oriented reforms, the role of the government in economic development has always remained over a significant degree. At this point, combination of liberalization and state control comes to the fore, creating more autonomy in the management of economic policy as claimed in the post-Washington Consensus. Even though the role of the state in governing and directing economy is more salient in the BRICS countries which partly departs them from the Washington Consensus (Fourcade, 2013), they are also concerned with the interests of private corporates and private investors. Leading local elites in the BRICS countries, which have capitalist tendencies, have considerable say about the interest of the transnational corporations (Pandit, 2017). Furthermore, Robinson (2015) assesses the BRICS countries as the hosts to transnational capitalist class formation. Nilsen and Holdt (2019), approach cautiously to the account of political econo-

my of the BRICS countries as the combination of the neoliberal policies and government regulation. Instead, they interpret the development trajectory of the BRICS as the one that has predominant neoliberal restructuring. Along the same line, Siddiqui (2016) points out the compatibility of their political economies and public institutions with neoliberalism, and warns that dependence on market forces, and undermining of state authority would not be conducive to sustainable development that generates socially inclusive welfare in those countries; rather it has benefited only the local elites, increased income inequality, and increased vulnerability to external crises. Different than these assessments, Pieterse (2009) objects the reductionist narrative that the rise of the many developing countries is resulted from economic liberalization. Pieterse (2009) highlights the indispensable role of the public sector and the infrastructural, agrarian and educational conditions created by the developmental state to correct market failures, as well as to drive economic growth, as exemplified in India and China. Alongside these arguments, official statements also need to be taken into account. Considering the official statements especially during the recent summits, the BRICS seems to be committed to neoliberal economic globalization, contrary to the recent nationalist populism in the EU and trade protectionism in the US. However, this does not mean that member countries keep their door open all the time under all conditions. For instance, in practice, China, India and Russia have imposed retaliatory duties in response to the recent protectionist measures of Washington (Bond, 2018).

### **3.2.1. Brazil**

Brazil is the sixth most populous country in the world, and has the fifth largest land area (World Bank, 2019c). With these indicators, the country is ranked the first in South America. Brazil is the 10<sup>th</sup> largest foreign exchange (FX) reserves holder with \$374.7 billion according to the 2018 data (World Bank, 2019d).

In 2018, Brazil was the 9<sup>th</sup> largest economy in the world with approximately US\$1.87 trillion GDP at market exchange rates, which is a considerable increase from US\$461.9 billion in 1990 (World Bank, 2019e). By purchasing power parity (PPP), the country had the 8<sup>th</sup> largest economy with US\$3.36 trillion in 2018 (World Bank, 2019f). Although the country

has had considerably high rates of economic growth since the early 1990s until the 2008 crisis, the country has gone through a severe recession. It is now trying to recover.<sup>55</sup>

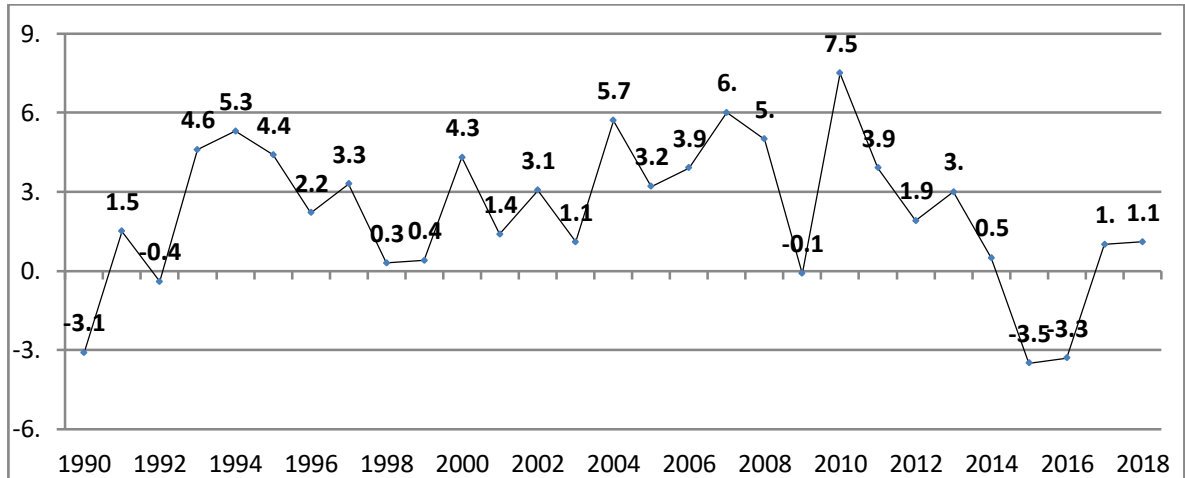


Figure 1: Annual GDP Growth Rate of Brazil (%) 1990-2018

Source: World Bank Data, 2019.

Brazil, as one of the dynamic developing countries, has been expending great energy on economic and social progress. Its recent history of economic and political transformation should not be overlooked, which placed the country currently among the emerging countries. This transformation can be defined as the implementation of large-scale neoliberal agenda that started after the inauguration of Fernando Collor de Mello in 1990, and was accompanied with democratization process.<sup>56</sup>

Within this process, expansion of trade linkages, decreasing import tariffs, elimination of non-trade barriers, removing restrictions on foreign capital, and boosting privatization have

<sup>55</sup> Due to the fall in commodity prices and political crises at home, Brazil's growth rate has been decelerating since 2010, and the economy contracted by 3.8 % in 2015 after a sharp decline. 1.1% growth rate in 2018 shows that the economy is not growing (World Bank, 2019g).

<sup>56</sup> Brazil used to be governed by military dictatorship (1964-1984). During the 1980s, Brazil has experienced political transition to presidential democracy, which was finalized with the progressive Constitution of 1988 accompanied by public sector reforms.

been implemented, while deviating from the former macroeconomic model of industrialization, which was based on import-substitution and trade protectionism to protect targeted specific industries, in a global environment when the premises of globalization has become popularized and disseminated (Burity, 2009). These neoliberalization efforts have been maintained by the successor governments to restore competitiveness, and hence, international credibility of the country.

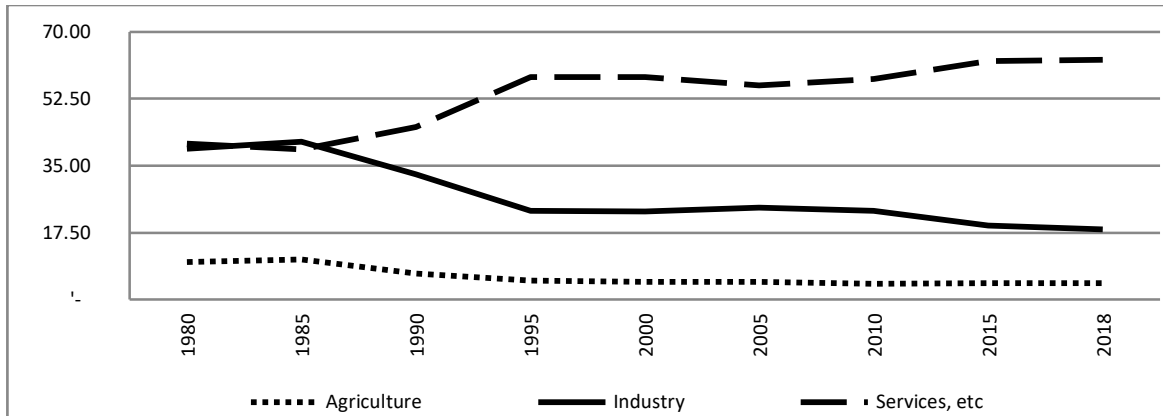


Figure 2: GDP Composition by Sector of Origin (%)

Source: World Bank, 2019

According to the sectoral distribution of the GDP in Figure 2, it is seen that in the early 1980s, industrial sector has maintained its position.<sup>57</sup> However, since the late 1980s, the services sector has become the main contributor to the GDP in Brazil, with an increasing weight. Even though the share of agriculture has diminished over the years, strong support was provided by the government with Agrarian Reform to tame idle lands and mechanization efforts in agriculture (Deych, 2015). In accordance with the sectoral shift, the labor force in services has increased considerably while employment rate has decreased sharply in agriculture over the last 15 years (UNdata, 2019a).

<sup>57</sup> However, investment in the industrial sector was mostly concentrated in state-owned companies in a limited number of sectors, and that expansion was boosted through international loans, whose fragility was proven in the 1982 debt crisis. For that mounting debt repayments, austerity measures were required by the IMF, which drove Collor de Mello further to adopt the neoliberal policies.

As stated above, 1990s is marked with commercial opening and integration with the global economy. While the share of trade in GDP was 15 % in 1990, it reached to 29% by 2018 (World Bank, 2019h). However, currently, Brazil has the most closed economy among the BRICS as measured by trade penetration. As stated above, between 2000-2008 Brazil had significant level of economic growth driven by a dramatic increase in global commodity prices, particularly related to the growing demand of China.

The main export and import partners of Brazil have been the United States, Argentina and China with differing shares over the years. According to the 2017 data, Brazil's main export partners were China with about 22%, the US with 12%, and Argentina with 8%. As for imports, major partners were China with 18%, the US with 17% and Argentina with 6% (UNdata, 2019b). The crucial thing to be mentioned is the increasing share of China in both exports and imports.



Figure 3: Imports and Exports of Goods and Services (% of GDP)

Source: World Bank Data, 2019

The main export products of Brazil are soya beans, iron ores, petroleum oils and cane sugar, which constitute the primary commodities and middle-to-low technology intermediate goods categories as the major product groups (WITS, 2019). Currently, Brazil is the second largest soybean producer in the world according to latest data (Statista, 2018).

The share of FDI inflows in GDP of the country increased from 0.2% in 1990 to 5% in 2000. Although the amount of inflow decreased sharply in 2003 with 1.8%, it has remarkably increased in the following years and reached to 4.7% in 2018 (World Bank, 2019i). In 2018, the inflow has reached to US\$ 88.3 billion (current prices), and placed Brazil as the fourth country globally (World Bank, 2019). Privatization has played an important role and privatized companies within the process of neoliberal restructuring have attracted considerable FDI.<sup>58</sup>

Alongside these positive economic indicators, Brazil has critical social problems. For this reason, social justice has always been a high priority for governments. In terms of provision of better social environment, Brazil is struggling to a great extent. Lula's period was the most vibrant period for social justice initiatives.<sup>59</sup> Chronic hunger has been diminished to a great extent, albeit still persistent. To this end, Zero Hunger Programme<sup>60</sup> was introduced and achieved considerable progress. Bolsa Familia Cash Transfer Programme was also one of the most significant initiatives. In this period, Brazil has made a significant social progress, and between 2003 and 2014, 29 million people- 20 million of that number was under the Lula term- were taken above the poverty line (World Bank, 2019j). A steady decline in

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<sup>58</sup> Since the public sector was causing budget deficit, privatization process accelerated from the early 1990s. It has distinctive characteristics in Brazil, in which petroleum sector kept their privileges. More can be found in Wiltse's work (2013).

<sup>59</sup> In 2003, Luiz Inácio Lula da Silva took the office, and his presidency lasted for eight years. There was no considerable divergence in terms of macroeconomic policy from his predecessor. But new contributions to social justice were made. Lula secured legitimacy at home to a certain extent both because of social programmes and slow but steady economic growth. During his presidency between 2003 and 2010, the annual average GDP growth rate was 4.1%. It was proved when he left the office with 90% personal approval ratings in December 2010 (Phillips, 2010) Besides, the other factors that played a role in his approval was a pan-Southern and more independent stance abroad. He improved diplomatic ties, especially with African states. According to Vigevani and Cepaluni (2009: 7), Lula's method was 'diversification', after the method of 'participation' employed by Cardoso to pursue an autonomous foreign policy.

<sup>60</sup> Both the civil society and the government have governed the programme. Most important institution in this case, the Council on Food and Nutritional Security, includes both bureaucrats and civil society representatives. Hence, a healthy partnership with civil society was built to enhance accountability and transparency. Later on, this programme was transformed into a global initiative, and launched by the United Nations Secretary-General Ban Ki-moon with the title: 'Zero-Hunger Challenge' in 2012.

the gini coefficient occurred during the same period, from 58 to 51.3 in 2018 (UNDP, 2018). In spite of this improvement, this number indicates that income inequality still persists (UNDP, 2018). The GDP per capita of the country has increased in years. However, after it reached a peak of all times in 2013 to 15,535, it showed a sharp decline after 2014. This resulted in an increase in poverty after the efforts of the country in poverty reduction over the ten consecutive years (World Bank Brazil, 2019j). Per capita income is recorded 14,282 (2011 constant PPP \$) in 2018, which is much lower than the developed countries. Brazil has not been able to steadily decrease the unemployment rate. Although the country has reduced the rate since the late 1990s to a considerable extent, it has been steadily increasing since 2014, and reached to 12.5% of the total labor force in 2018 (World Bank, 2019k). Except for Russia, Brazil is performing better as the 79<sup>th</sup> in the HDI compared to the other BRICS, which positions the country into the High Human Development Group. However, its average annual Human Development growth is moderate with 0.87 % from 1990 to 2017 (UNDP, 2018).

Brazil has started to assert itself both on the regional and the global stage as one of the biggest economies with strong sectors including agriculture, manufacturing and mining which attracts great amount of FDI and the country holds huge foreign exchange reserves. However, after the global crisis, its growth rate has severely decelerated. Brazil needs to fix its structural vulnerabilities against external shocks for a non-interrupted long-term economic development. To ensure this and to solve social problems like high unemployment rate, unequal income distribution, and low GDP per capita, political stability in the country should be ensured, which became a matter of concern especially when the corruption scandals broke out.

### **3.2.2. Russia**



The historical systemic position of Russia is different from the other BRICS countries. This situation results in the country to be considered as a re-emerging country rather than an emerging one as MacFarlane (2006) argues.<sup>61</sup> The country is the 9<sup>th</sup> most populous country in the world, and has the largest land area on the globe. The country is the 5<sup>th</sup> largest FX reserves holder amounting to \$374.7 billion (World Bank, 2019d). In 2018, Russia was the 11<sup>th</sup> largest economy in the world with approximately US\$ 1.65 trillion by nominal GDP, which is a great leap from US\$ 517 billion in 1990 (World Bank, 2019e). The country had 6<sup>th</sup> largest economy with 3.98 trillion by PPP in 2018 (World Bank, 2019f).

During the 2000s, Russia grew with high rates that were boosted by an oil export boom. However, Russia was severely affected by the 2008-2009 global financial and economic crisis, and the economy contracted by 7.8 % (World Bank, 2019g). After the global crisis, Russia used its Stabilization Fund that was created in 2004. Oil prices fell from \$147 per barrel in July 2008 to \$33 per barrel in February 2009 (Investopedia, 2018). After a quick recovery, Russia experienced economic recession that resulted in 3.1% contraction in 2015–2016 once again, this time both due to Western sanctions resulted from Russia's annexation of Crimea, and 75% fall in global oil prices. Since then, the economy is growing moderately.<sup>62</sup>

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<sup>61</sup> As elaborated on below, it is because of the fact that the country experienced a profound and multidimensional deterioration within the two decades-long transition period following the collapse of the USSR and it exacerbated society's crisis of identity. And hence, recognizing this moral crisis, government has sought to prevent further deterioration, and to regain its former position as a leading country.

<sup>62</sup> In spite of the Western sanctions and slow economic growth, Putin's popularity is still massive. This year is Putin's 18th year in power, albeit with a short interval as Prime Minister. According to a recent poll conducted among the Russian public, 71.4% of the surveyed favor Putin to remain as their president ('Poll Shows', 2018). Not surprisingly, Putin won the presidency again with a big margin in March 2018.

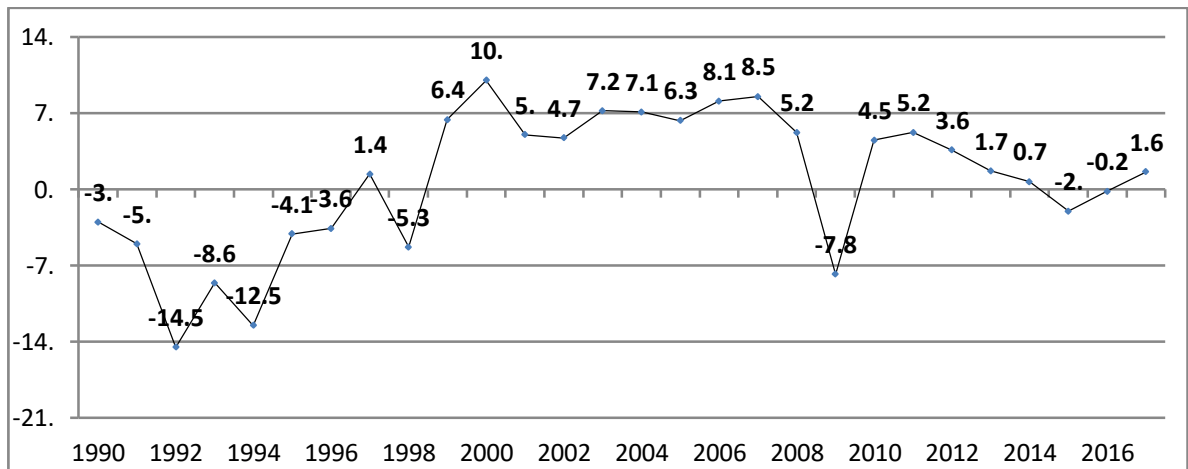


Figure 4: Annual GDP Growth Rate of Russia (%) 1990-2018

Source: World Bank Data, 2019

Just like Brazil, Russia also entered into an economic transition period of radical market reforms in the 1990s but with a critical political aspect that changed the course of world history. Right after the collapse of the USSR, successor Russian Federation entered into process of post-communist transition. Central planning was abandoned for globally integrated free market economy.<sup>63</sup> However trade liberalization did not start in the 1990s, rather it was initiated in the early 1970s to improve low productivity (Nassif, Feijo, & Araújo, 2016). This open economy was fuelled with high inflation and the country tried to curb the inflation with fixed exchange rate. When speculative capital flow to the country was combined with poor industrial production, government had to borrow more, and this resulted in the sovereign default in 1998. However, the country started to recover in 1999, and the devalued ruble had import substitution effect. However, in the end, the collapse of ruble triggered foreign investment in Russian market from countries, which lost export

<sup>63</sup> Kagarlitsky (2008) describes this economic integration with the world as oligarchic capitalism, with peripheral characteristics serving to the center. Oligarchy can be explained as domination by the few. In Russia's case, it is a small and powerful group of people, who have become rich by seizing the control of large oil, gas and metallurgic firms, following the collapse of USSR and took advantage of their position to organize the economy, and take vital decisions (Heywood, 2013). After Putin came into power in 2000, he has tried to position the government to the center in economy, and to this end, to control oligarchic circles.

competitiveness against Russia (Mansbach & Taylor, 2012). While the importance of market institutions acknowledged, government played important role in formulating strategies and plans as well as implementing industrial policies in 2000s (Nassif, Feijo, & Araújo, 2016).

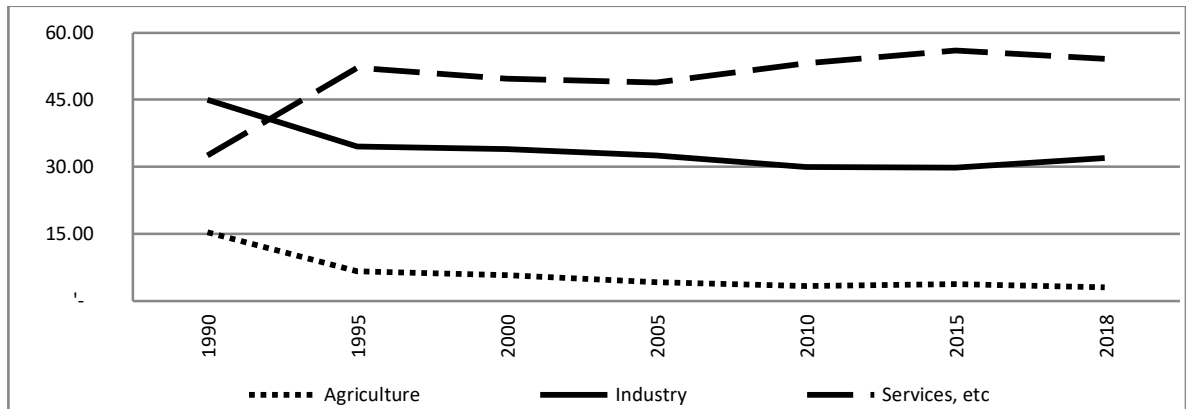


Figure 5: GDP Composition by Sector of Origin (%)

World Bank Data, 2019

The changing composition of GDP can be seen in Figure 4. Over the years, the services sector in Russia has expanded, and it currently constitutes the biggest share in the country's GDP. Accordingly, while employment in services has increased its share, labor in industry and agriculture has decreased (UNdata, 2019a). The reason behind the decrease of the industrial sector should be mentioned. After the privatization process, instead of promotion of efficiency with innovation, old machinery and equipment continued to be used, and the country could not keep up with the world industrial standards. As a result, industrial production fell since the 1990s.

When the share of trade in GDP is considered, it is seen that there is a decrease since the end of the 1990s. Currently, it makes up 51% of the GDP (World Bank, 2019h). The country has a trade surplus. Russia benefitted from integration to the world economy, owing to high energy prices since the country is highly dependent on exporting energy. As a resource-based economy, fuels and mining products have the largest part in export products,

and it is followed by raw materials (WITS, 2019a). This is why the falling oil prices have dramatically affected the growth rates recently.

Russia's main trade partners have been China, Netherlands, Germany and the US since 2005 (UNdata, 2019b). In 2017, Russia's main export partners were China, Netherlands, Germany, Belarus while the main import partners were China, Germany, the US, and Belarus for the same year (CIA, 2019). As in the case of Brazil, China comes first both in import and export with highest volume (UNdata, 2019b).

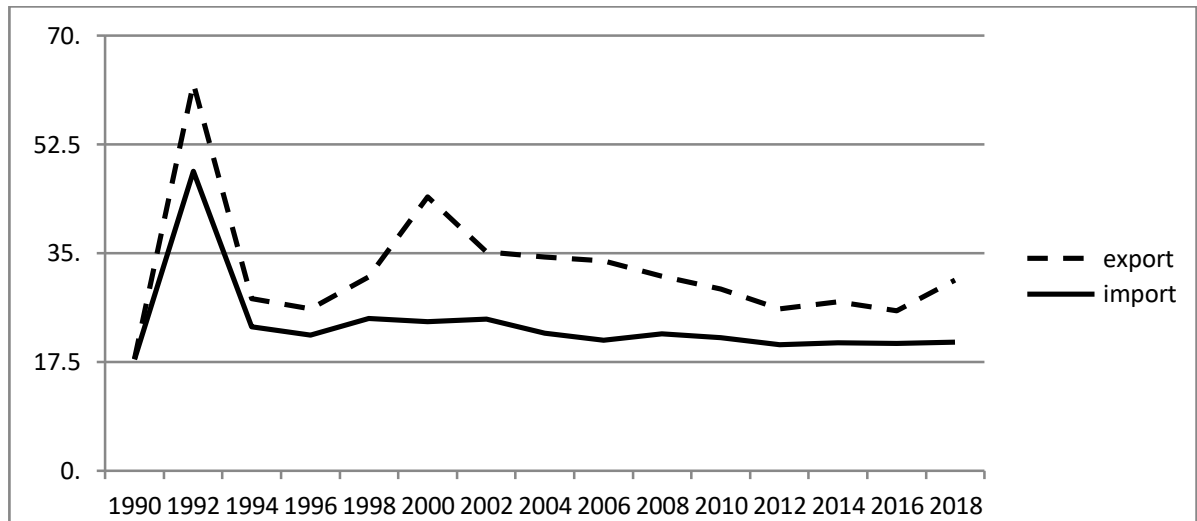


Figure 6: Imports and Exports of Goods and Services (% of GDP)

Source: World Bank Data, 2019

The share of FDI inflows in GDP has had a wavy course since the late 1990s (World Bank, 2019i). The amount of FDI inflow to the country has seen a dramatic decline after a peak in 2008 with US\$ 74.7 billion. After years of an upward trend, it reached to US\$ 69.2 billion in 2013, then, it saw a sharp decline to US\$ 6.8 billion in 2015. The FDI inflow is recorded as US\$ 8.81 billion in 2018, which positions the country out of the top 20 host economies

list (World Bank, 2019).<sup>64</sup> Corruption is one of the major obstacles for Russia to attract FDI. The corruption perception score of Russia is 28, and it is ranked the 138<sup>th</sup> out of 180 countries which is quite a poor record (Transparency International, 2019). As the World Bank has lately reported, Russian Federation needs to improve this bad investment climate so that the country could have more solid growth (World Bank, 2016).

Even though Russia has better conditions with regard to many social indicators than the other BRICS countries, it still has crucial problems. Decreasing population of the country since the collapse of the USSR can be considered as the most serious one. According to Eberstadt (2011), even though the decrease in population is also experienced by many advanced economies such as Germany, the existence of poor public health makes the Russian case anomalous and different from them.<sup>65</sup> From 1992, the mortality rate has remained quite higher than the birth rate until 2012 when they became equal (World Bank, 2019l; 2019m).<sup>66</sup>

Currently, Russia is the only country among the BRICS that belongs to Very High Human Development Group, and stands higher with a ranking of 49<sup>th</sup>. However, the country can

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<sup>64</sup> Investment is a critical issue for the Russian reform period marked also with lack of investment due to the great amount of capital flight that made domestic funding impossible (Kagarlitsky, 2008). At this point, the role of oligarchs is undeniable in taking the wealth out of the country and worsening the situation.

<sup>65</sup> Officials in Russia, have already recognized the severity of the problem, and sought to reverse that trend. Accordingly, the Demographic Policy Concept of the Russian Federation until 2025 was approved by President Putin in 2007, in which demographic situation was evaluated and policies were formulated for the most critical issue areas (Presidential Executive Office, 2007).

<sup>66</sup> After 2012, increase in the birth rate has slowed down. However, Schrad (2017) attributes the recent drop in birthrate to the Western sanctions that have caused both reluctance among families to have children in the face of economic problems, and discouraged foreign workers to come for working. As related to these explanations, another important issue that has drastic impacts on socio-economic environment of Russia is migration. Influx of people to Russia has been partially compensatory of demographic decline by way of providing human resources. Russia as the main source of remittances for Commonwealth of Independent States (CIS), has been attracting both great number of permanent and temporary migration. However, as stated earlier, number of legal foreign workers also dropped due to the recession after 2014.

outperform only South Africa with its relatively lower average annual HDI growth of 0.40% from 1990 to 2017 (UNDP, 2018).

Even though the country is performing better in income inequality than the other BRICS members as seen in lower Gini coefficient of 37.7 in Table 1. It is still more compared to many developed countries. Inequality permeated the society because people working in the exports sector were being paid more, and regions that are producing export products, became more affluent. This situation still continues, with increasingly regionalized economy, leaving interior parts of the country relatively backward (Rapoza, 2017).

Russia had the highest GDP per capita within the group with US \$ 24,766 in 2017 by PPP (UNDP HDR, 2019). While the GDP per capita annual growth rate of the country increased significantly between the late 1990s and late 2000s, it saw a sharp decline following the 2008-2009 global crisis and has not reached that level of the 2000s again.

The unemployment rate in Russia is not the lowest in the BRICS but it is quite below the group average with 4.7% in 2018 (World Bank, 2019k). According to 2018 data, employment in services makes up 67% of total employment, while industry and agriculture comprises about 27% and 5.8% of total employment, respectively.

As an ambitious country in global policy, Russia has been focused on the revival of its power. Although the country is one of the biggest economies by GDP currently and a holder of large foreign exchange reserves, its high growth rate was interrupted with the global crisis, which revealed how dependent the country is on energy exportation. When falling commodity prices was combined with the sanctions resulting from Russian-Ukrainian geopolitical crisis, Russian economy has become hard to recover. Furthermore, the inward FDI level is worrisome, which further increases the pressure on the government. However, importantly, the country has a strong government presence in economic strategies and Putin is

still popular in the eyes of the public. As different than other BRICS countries, Russia belongs to Very High Development Group and has much higher GDP per capita.

### 3.2.3. India

India is a developing country that has been governed with a vibrant democratic political system since its independence in 1947. Currently, it is the second most populous country and it has the 7<sup>th</sup> largest land area in the world (World Bank, 2019c). The country is the 9<sup>th</sup> largest FX reserves holder with \$399.1 billion (World Bank, 2019d). According to 2018 data, the country had the 7<sup>th</sup> largest economy in the world by nominal GDP with US\$ 2.72 trillion, representing a dramatic increase from US\$ 321 billion in 1990 (World Bank, 2019e). Moreover, when measured by PPP, the country had the 3<sup>rd</sup> largest economy with 10.4 trillion in 2018 (World Bank, 2019f).

As stated above, together with China, India is the main engine of the economic growth of the BRICS, with impressive annual growth rates as seen in the Figure 7. For years, the country has been regarded as one of the world's fastest growing major economies.

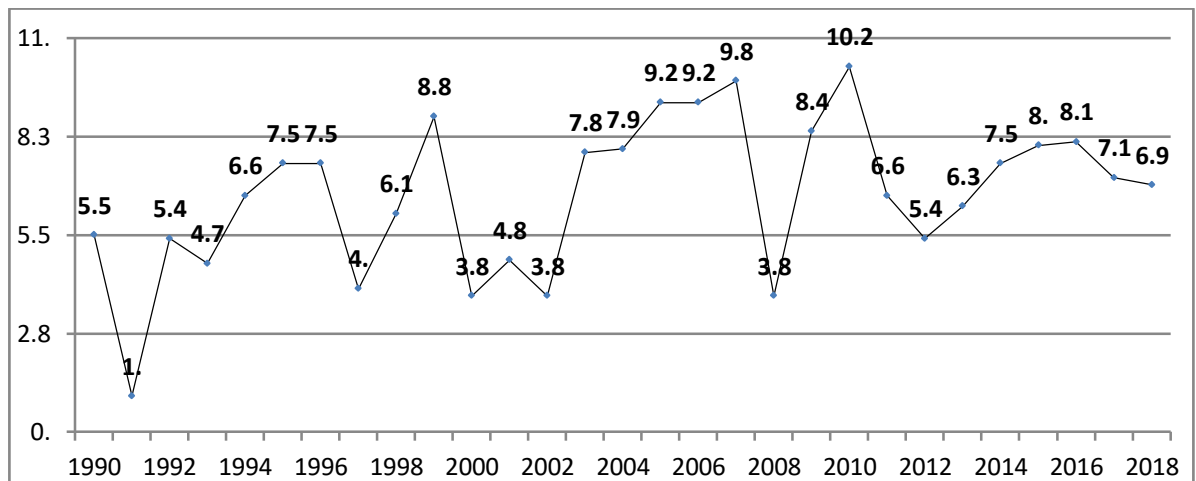


Figure 7: Annual GDP Growth Rate of India (%) 1990-2018

Source: World Bank Data, 2019

Like Brazil and Russia, India has also started to implement neoliberal reforms starting from 1991, named as the New Economic Policy. Government gradually liberalized trade and investment, downsized public sector monopolies, and adopted export-led growth. Prior to this transition, import-substitution industrialization policies were being implemented under centrally-planned economic system in the post-independence period. For a rapid industrialization, capital and technology-intensive heavy industry was given weight (Yılmaz, 2013) and there were restrictions on the FDI inflows. Although the country started to make changes towards neoliberal policies, the country could not sustained this developmental state strategy (Schmalz & Ebenau, 2012). After debt crisis of late 1980s, resulted from widening current account deficits and foreign debt, India started to implement neoliberal reform. However the country did not stop implementing its traditional long-term development plans after the transition.

Its stable growth rates after 1991 has been mainly driven by large and skilled services sector that currently makes up 49.1% of GDP, according to 2018 data (World Bank, 2019n).<sup>67</sup> According to the compositional shift, share of employment in agriculture has decreased substantially, whereas labor force in industry has decreased moderately, and the labor force employed in services has increased to a greater extent. With a serious decline in the share of agriculture in the economy, a structural change has taken place in the Indian economy as seen in the Figure 8.<sup>68</sup>

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<sup>67</sup> One of the critical issues in India is the long-standing agrarian crisis. Over the past decades, structural problems have emerged within the agriculture sector. The impact of neoliberal policies implemented after 1991 is considerable in this sense. Due to the minimum state intervention adopted during this reform process, agricultural subsidies were reduced, and restrictions on agricultural imports were lifted, which made the sector subject to increased competition and lowered the crop prices. Currently, 66% of total population is rural (World Bank Data, 2019o).

<sup>68</sup> What is notable regarding Indian modernization and its global economic integration process is that in the sectorial balance, there has been a shift from agriculture to the services sector, rather than from agriculture to manufacturing, unlike East Asia's preferred manufacturing-led growth model (Purushothaman, 2004).



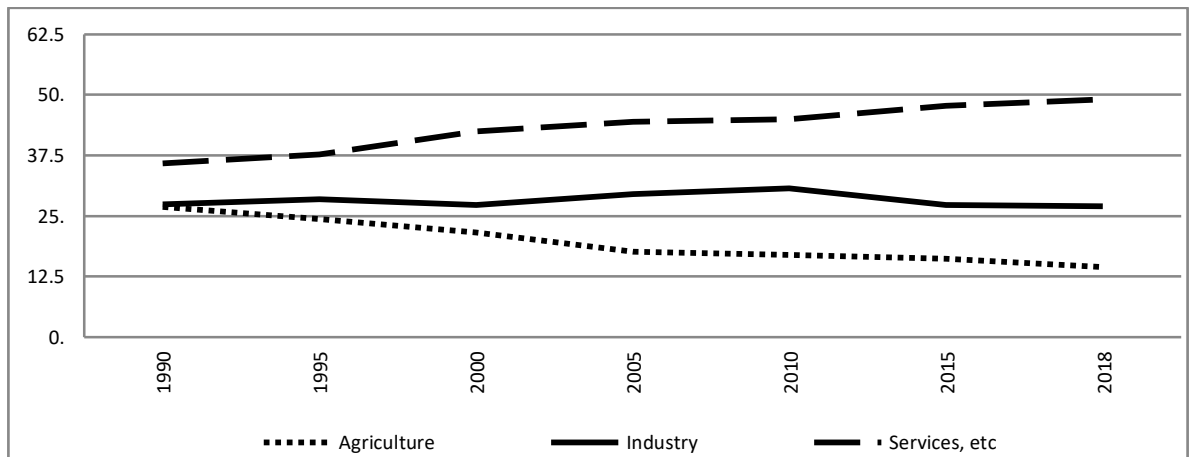


Figure 8: GDP Composition by Sector of Origin (%)

Source: World Bank, 2019

The share of trade in GDP was 43% in 2018 (World Bank, 2019h). India has dramatic trade deficit for years as seen in Figure 9. One of the most important factors is the energy need of the country, and the large amount of oil imports.

The main trading partners of India have been the US, the United Arab Emirates (the UAE) and Hong Kong in exports, and China, the US, and the UAE in imports since 2005. Over the years, India has increased its imports from China (UNdata, 2019b). In 2017, India imported most from China with highest share, followed by the US and the UAE. India exported most to the US, the UAE and Hong Kong, respectively for the same year (CIA, 2019a).

Information and Communication Technologies (ICT) constitutes the key item in services exports. According to 2017 data, its share is 86% (UNCTADSTAT, 2019).

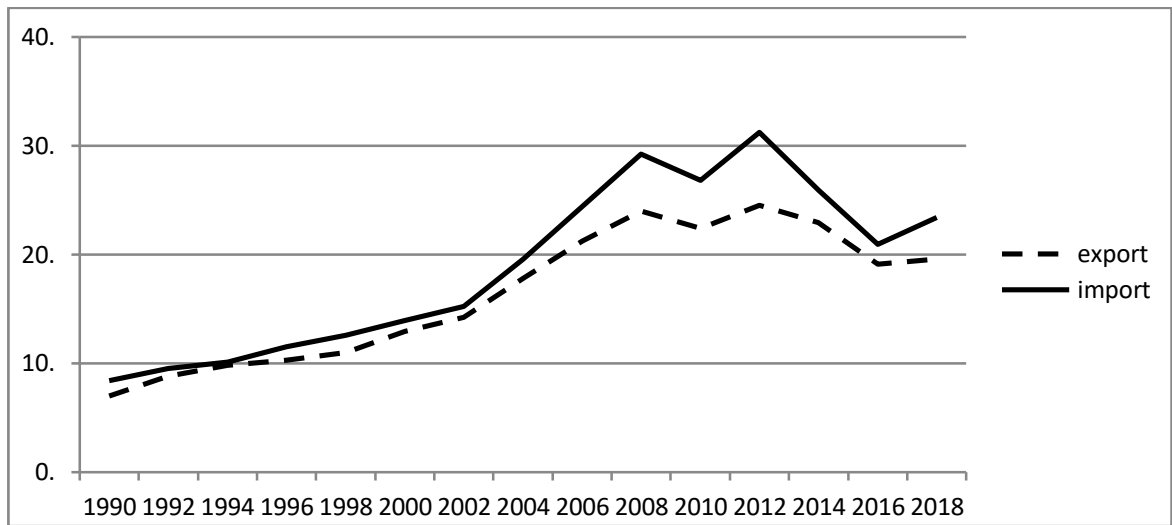


Figure 9: Imports and Exports of Goods and Services (% of GDP)

Source: World Bank Data, 2019

India has made efforts to attract more FDI for years. While agriculture experienced a dramatic decline in FDI inflows, the amount of FDI to Indian services sector has increased to a great extent from the mid-1980s to 2010 (Naudé, Szirmai, & Lavopa, 2013). The country increased the share of FDI inflows in GDP since the early 1990s (World Bank, 2019i). However, it had a sharp decline after the 2008-2009 global crisis, and could not regain the previous rate. According to the 2017 data, the country is among the top 20 host economies with US\$ 39 billion (World Bank, 2019). In order to attract more FDI inflows, India tries to spend more on its infrastructure.

The country has various dramatic social problems, leading to quite high level of brain drain (Ben-Hur and Caballero, 2018). India is within the lower middle-income group according the World Bank, and it is one of the countries with high poverty. Percentage of the population living on less than \$1.90 is 21.2% in India, and this is a critical ratio (UNDP, 2018). India has the lowest GDP per capita within the BRICS as seen in the Table 1. India is ranked the lowest in HDI with the rank of 130<sup>th</sup> within the BRICS. However, it had quite higher average annual HDI growth between 1990 and 2017 with 1.51%, which is same as China. It is a significant improvement considering how populous the country is (UNDP,

2018). Besides, compared to the other BRICS countries, its gini-coefficient, which is 35.1, is better than the other members.

Unemployment rate in the country is 2.5% (of total labor force) for 2018 (World Bank, 2019k), which is the lowest within the group. However, informal labor is dramatically high within the county, with 81% share alongside other problems such as job instabilities and wage penalties (The Wire, 2018). Although considerable amount of labor force has shifted to the services sector, the share of agriculture has dropped from 63% in 1991 to 43% in 2018 (World Bank, 2019p). Hence, people living in rural areas are somehow dependent on agriculture, and they are suffering from persistent poverty. Agrarian unrest has been surging due to low income and high debts (Ghosh, 2018).

India is a country that tries to achieve its development goals and to make the country an influential global player with its vibrant democracy. Over the last decades, the country has become one of the biggest economies in the world with still-continuing high growth rates in spite of the global crisis. The country transformed its economy with neoliberal reforms, while maintaining its long-term development plans to date. Over the years, the country has become a crucial FDI attractor particularly to its services sector. However, the country needs far better infrastructure. As a country with very low human development, it should correct the social problems such as high poverty, low GDP per capita and informal labor.

#### **3.2.4. China**

It is commonly acknowledged that China as a manufacturing powerhouse, leads the BRICS group in terms of economic performance. It is even argued by Rothkopf (2009) that *'Without China, the BRICs are just the BRI, a bland, soft cheese that is primarily known for the whine(sic) that goes with it.'*

China is the most populous country and has the second largest land area on earth. For the year 2018, the country was the second largest economy in the world with US\$ 13.6 trillion

in nominal terms, by overtaking Japan in GDP by the end 2010. Its dramatic increase from US\$ 361 billion in 1990 (World Bank, 2019e). When its GDP is measured by PPP, China stood as the largest economy with US\$ 25.3 trillion in 2018 (World Bank, 2019f). The country holds 3.16 trillion FX reserves, which ranks the country first globally (World Bank, 2019d).

As a primary indicator to assess the economic performance of a country, its annual GDP growth rate can be seen in Figure 10.<sup>69</sup>

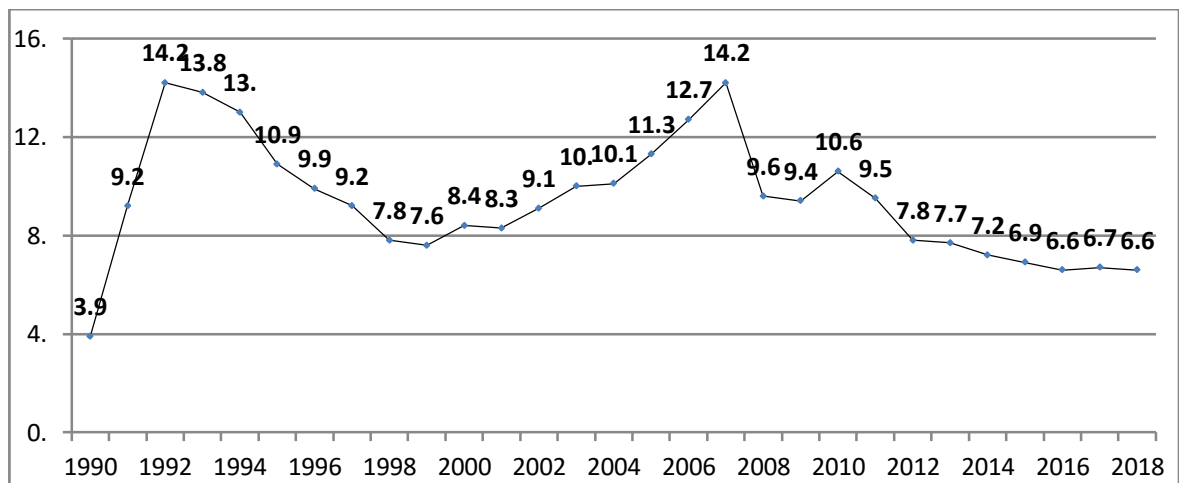


Figure 10: Annual GDP Growth of China (%) 1990-2018

Source: World Bank Data, 2019

After years of high growth, the annual growth rate has been successively slowing down since 2010, and it grew at 6.6 % in 2018, which has been the lowest rate since 1991 (World Bank, 2019g). This moderate growth can be explained with prioritization of structural reforms so as to break the reliance on export-led and investment-led growth resulting in high

<sup>69</sup> Although it is out of the scope of the analysis in this thesis, annual growth rate was also high from the early 1960s to 1978, when Deng Xiaoping initiated economic reforms.

amount of debt and to build a new consumption-led growth while reinforcing services sector, instead (Jinping, 2017).<sup>70</sup>

Just like the other BRICS countries, China has also undergone economic reforms, in which an export-led growth is adopted as the national development strategy<sup>71</sup>. Essentially, it was a transformation from a mostly stagnant centrally-planned economy to an increasingly market oriented economy. China has put into practice most of the recommendations offered by the Washington Consensus in an idiosyncratic and heterodox path. One of the main components of this process was privatization of the State Owned Enterprises (SOEs) - officially named as ‘shareholding transformation’ - in the mid-to late 1990s. This transformation was limited to smaller-scale SOEs. The number had reached 80% by the end of 1998 (Breslin, 2007). Larger SOEs have survived, and there has been high start-up investment, lower capital utilization, and as a result, slower returns, ending up with bank’s channeling of non-financial corporate loans mediated by the state.<sup>72</sup>

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<sup>70</sup> Over the last couple of years, China has sought to transform the economy so as to create a dynamism based on sustainable factors by constraining the increase in debt in order to diminish the massive share of investment in the economy (He, 2018). In spite of the persisting saving culture, contribution of consumption to growth is increasing. In order to further this trend, high employment rates and income surge is needed.

<sup>71</sup> In the case of China, the reform efforts date back earlier. Economic reforms of the country have started with the pragmatist leader Deng Xiaoping in the late 1970s when he came into power.

<sup>72</sup> It is not an easy task for the government to deal with debt-ridden SOEs since they have been provided higher amounts of corporate loans but in return, they have struggled to become innovate and run at a loss. Private firms and firms with foreign capitals have always been better innovating engines. One can see their increasing share in both Chinese exports and imports from the mid-2000s onwards, surpassing that of the SOEs (Lemoine, 2013: 17). One of the most prominent reforms targeting the SOEs is the Mixed Ownership Reform (2015). It is basically a private investment in the SOEs, made by private and foreign enterprises. Merging multiple inefficient SOEs into a productive one, and strengthening their supervision is another initiative. Forcing local governments with high budgetary expenditures to be more prudent regarding the use of public resources is another difficult task. For this purpose, the Budget Laws were passed in 2014, setting forth a transition from off-budget borrowing to explicit borrowing via bonds under strict controls (World Bank, 2017). Investing in high-tech production is another subject. When the GDP spending on Research and Development (R&D) is considered, it is observed that it is still under the OECD average but is narrowing this gap year by year (OECD, 2019).

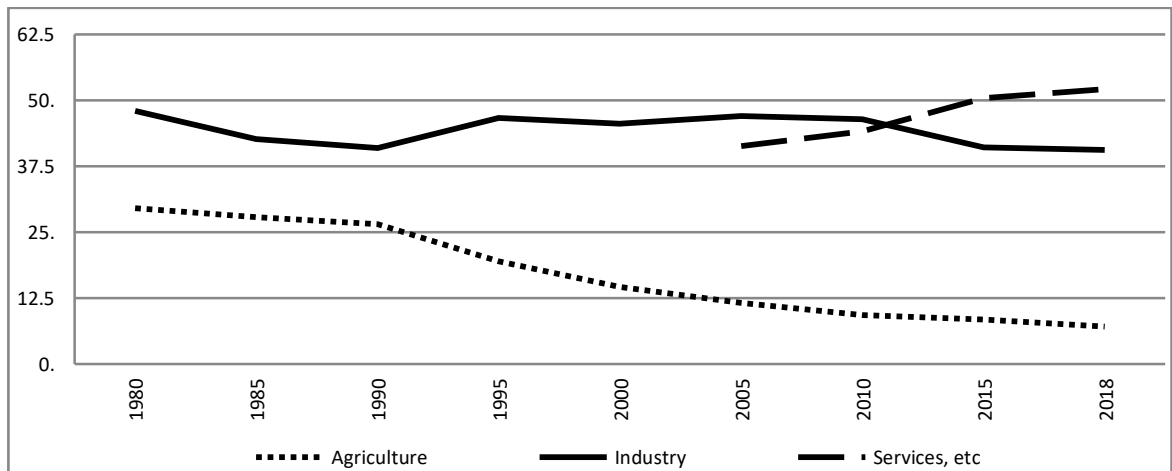


Figure 11: GDP Composition by Sector of Origin (%) Source: World Bank, 2019

The GDP composition of the country by sector of origin given in Figure 11 indicates how manufacturing maintained its dominant position for a long period of time as the main driver of the economy. Labor-intensive production with high levels of fixed capital investment has played an important role in economic growth, and has diverted millions of rural citizens into the industrial sector during the 1980s. Recently, however, share of the services sector has surpassed the manufacturing after decades of rising. In parallel with that distribution, labor force in agriculture has diminished to a great extent, while it has increased in the services sector. As for the industry, a diminishing share is seen after 2014 (UNdata, 2019a). The ratio of trade to GDP in China has risen over the three decades. While this share was 4.9% in 1970s, it has reached 64% in 2006, which was the highest of all times. Currently, it is 38% of GDP (World Bank, 2019h).

China's major three export partners have been since 2005 are the US, Hong Kong and Japan. And China's major three trading partners in import have been the Republic of Korea, Japan and Asia (n.e.s.) for the same period (UNdata, 2019b). In 2017, the US was the main

export partner, and the Republic of Korea was the main import partner (CIA, 2019b). Currently, China runs surpluses against many of its trade partners.<sup>73</sup>

Manufactured goods are the main commodity group both in exports and imports. The share of automatic data-processing machines and radio-telephony transmission tools as non-agricultural products in manufactured goods is higher than the other export items (WITS, 2019b).

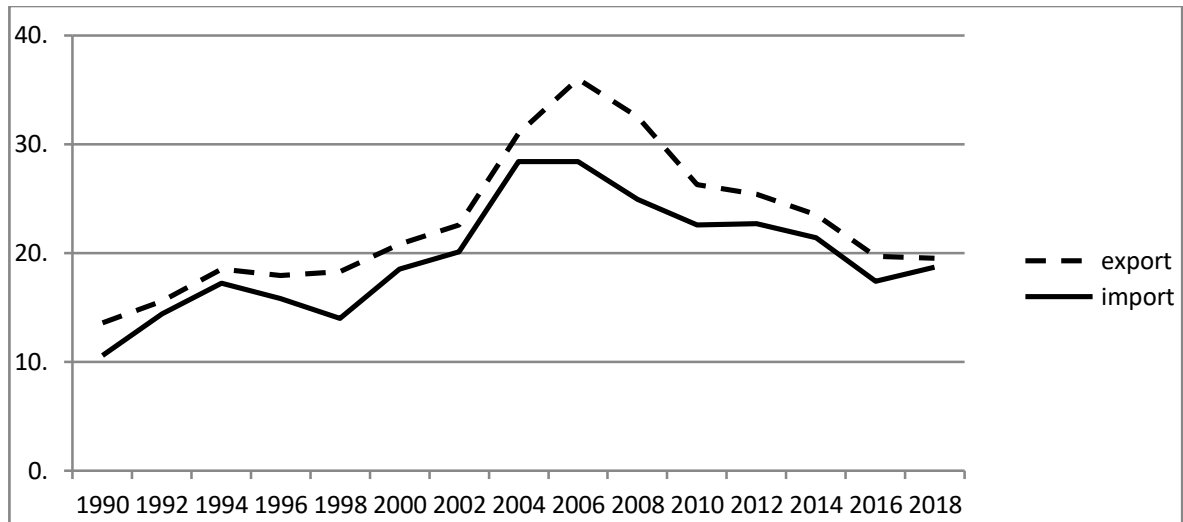


Figure 12: Imports and Exports of Goods and Services (% of GDP)

Source: World Bank, 2019

High influx of FDI during the mid-1990s has played a crucial role for economic growth.<sup>74</sup> Even though the amount of the FDI inflows has started to decline after 2013, it is in upward

<sup>73</sup> Chinese exchange rate regime has always been at the center of trade disputes since it has added some power to Chinese export volume. To touch upon briefly, transformation of its exchange rate regime can be divided into three phases. From the beginning of the reform until 1994, single central rate was being implemented, and in that period, long-lasting devaluation was observed. Afterwards, in January 1994, dual-track system was adopted, in which central official exchange rate and floating exchange rate- in order to operate swap market- were coalesced. Finally, during the Asian Financial Crisis in 1998, speculation of further devaluation worsened the crisis and the government had to guarantee that it would not devalue the currency. Since then, both rise and fall has been observed. Generally, the global use of Yuan as the international reserve currency has been increasing. And recent initiative of Yuan-denominated oil futures sparked a debate on potential of petro-Yuan.

trend again. Currently, the country attracts the second largest amount of FDI (World Bank, 2019). In order to attract FDI, the government makes an effort to create fairer and more transparent environment, to lower operating costs and improve Intellectual Property Rights (IPR).

China has the second highest GDP per capita following Russia in the BRICS. Currently, the per capita income is 15,309 (2011 PPP \$), which is much lower than the developed countries (World Bank, 2019r). Besides, annual growth rate of the GDP per capita is faster than the other BRICS members.

Even though the export-led growth that lifted millions out of poverty, inequality has also increased within the country. China has gini coefficient of 42.2, which proves the growing inequality. The urban-rural division of China is an important factor in inequality. The Hukou system is a key factor for the large urban-rural income gaps.<sup>75</sup>

China is ranked the 86<sup>th</sup> within the High HDI. It is neither the best nor the worst within the group. Together with India, it has the best average annual HDI growth of 1.51% between 1990 and 2017 (UNDP, 2018).

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<sup>74</sup> As found evidence in many studies (Zheng, Bigsten, & Hu, 2009; Alfaro, Kalemli-Özcan, & Sayek, 2009; Amann & Virmani; 2014) if FDI particularly comes from relatively technology rich countries, it contributes economic growth through Total Factor Productivity (TFP) enhancement not by way of capital accumulation.

<sup>75</sup> Even though the rural population has been decreasing continuously, and the urban population is expected to increase 780 million in the mid-2020s (Kharas, 2017), rural citizens still represent 43% of the total population. Living conditions in rural areas remain tough. In search of better living standards, people are migrating to urban areas but they confront with the Hukou System. Reforming of this system was at the top of the 13th Five-Year Plan (Li, 2017). The system is basically an official registration system, based on birthplace due to which it is too hard for a citizen to change his/her residential place not only from urban to rural but also between different cities. This system is seen by many as a source of inequality and segregation because life standards between different areas differ considerably (Juneja, 2017). Particularly, since the migrant workers cannot change their official Hukou status, social services provided in where they live and work become too costly. Although not enough in number yet (100 million) government is working on improvements.



The unemployment rate in China has been fluctuating within a narrow margin over the last decade. It was 4.4 % in 2018 (World Bank, 2019k). The important trend in China is the increasing share of employment in services that reached 44.6% in 2018 as the services industry has now become a key growth engine (World Bank, 2019s). Even though the country has a relatively low level of unemployment, informality is reported to continue to affect more than half of the employment market in China (ILO, 2018).

To conclude, China stands as the powerhouse not only in the BRICS group but also globally. The country has the second largest economy in the world in nominal terms and the largest one by PPP. Like India, Chinese economy has slowed down but has still much higher growth rate even after the global crisis. In China's case, the slowdown results from structural changes that are currently implemented to make the economy based on more sustainable factors. Over the years, FDI inflows to the country have increased substantially, which has been a crucial factor to spur the development of the country, while making it more competitive. Moreover, the country has the largest foreign exchange reserves that make the country more resilient to financial shocks. As the most populous country in the world, China has to fix the social problems.

### **3.2.5. South Africa**

South Africa is the smallest BRICS country in terms of its economy and demography. South Africa is the 24<sup>th</sup> most populous country, and has the 23<sup>rd</sup> largest land area in the world, which is quite different than the other populous and large BRICS members. When evaluated in a material sense, its membership has been contested by many experts in terms of its size. While the country's GDP was US\$ 115 billion in 1990, it was US\$ 366 billion in nominal terms, ranking the country the 34<sup>th</sup> globally in 2018 (World Bank, 2019e). Its GDP

for the same year was US\$789 billion by PPP (World Bank, 2019f). These data show that the South African economy is much smaller than the other BRICS countries.<sup>76</sup>

Although the annual GDP growth rate of the country is moderate compared to India and China, it is closer to those of Brazil and Russia. The country was deeply and quickly affected by the global financial and economic crisis. Accordingly, as can be seen from Figure 13 below, South Africa went into recession with -1.5% growth rate after experiencing positive growth rates for a decade. Even though the country recovered substantially, it still has a low growth rate of 0.6% in 2018 (World Bank, 2019g). The country holds 51.6 billion FX reserves, which is the least among the BRICS and much lower than the global ranking (World Bank, 2019d).

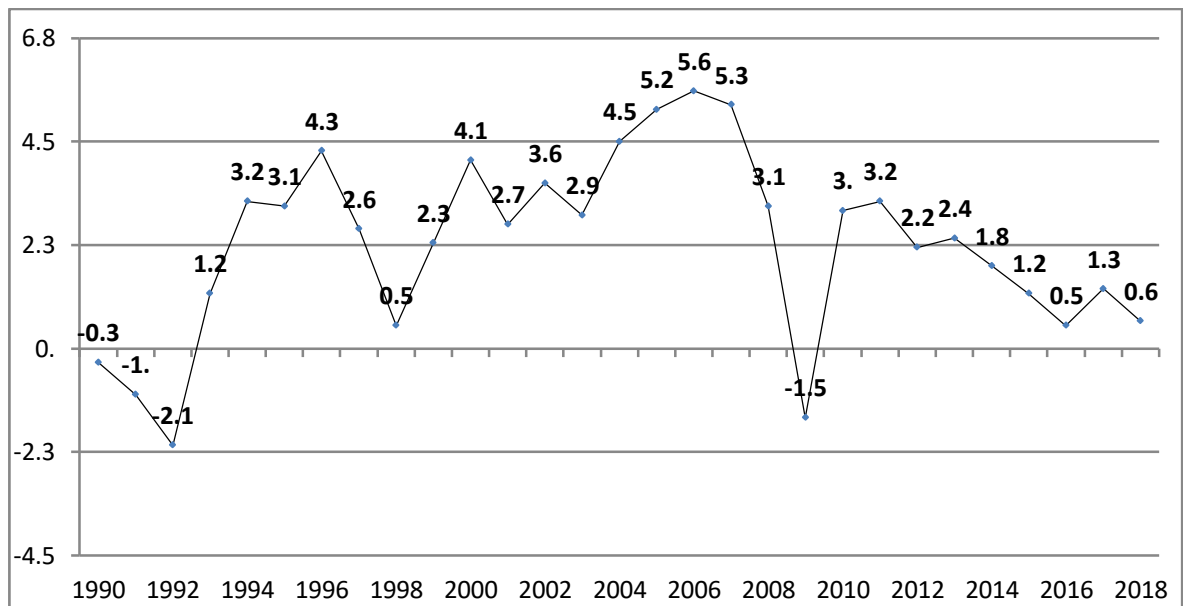


Figure 13: Annual GDP Growth Rate of South Africa (%) 1990-2018

<sup>76</sup> In spite of its small size in the BRICS, the country is a meaningful economic power in the region. Since it is believed that the country's development cannot be separated from the overall well-being of the African continent, the government encourages regional integration projects such as the SACU (South African Customs Union) and the Common Monetary Area in South Africa (CMA), Southern African Development Community (SADC) to enhance development cooperation (Abdenur & Folly, 2015).

Source: World Bank Data, 2019

As a common feature of all the BRICS countries, South Africa has also seen a transition phase, which has changed the political and economic landscape of the country. Transition into multiparty democracy started in 1994, with a new constitution after years of apartheid regime, which had lasted from 1948 to 1994. However, since 1994 African National Congress (ANC) has been ruling the country and setting the political agenda within a one-party dominant system, confronting no solid and united political oppositions. Prior to 1994, the economy had been weakening due to public protests and international sanctions imposed on the country. Post-1994 South Africa has been governed with neoliberal agenda, putting economic growth as the top priority. In order to boost growth, government privatized some of the SOEs, made changes in regulations and loosened controls on trade. This was partly because of the IMF conditionality since the government had borrowed \$850 million from the IMF (Bond, 2016).

When the GDP composition of the country is considered, it is seen that there is a considerable expansion of the services sector. Although the country is the most-industrialized one in the African continent, as seen from Figure 14 below, the share of manufacturing has declined throughout the years, indicating de-industrialization. Just as in the other BRICS countries, the share of agriculture in GDP has been in a downward trend. Currently, South Africa is a tertiary economy with 61.3% share of services in GDP in 2018 (World Bank, 2019n). The labor force of the country works increasingly in the services sector, whereas the industrial and agricultural sectors employ lesser workers (Undata, 2019a).

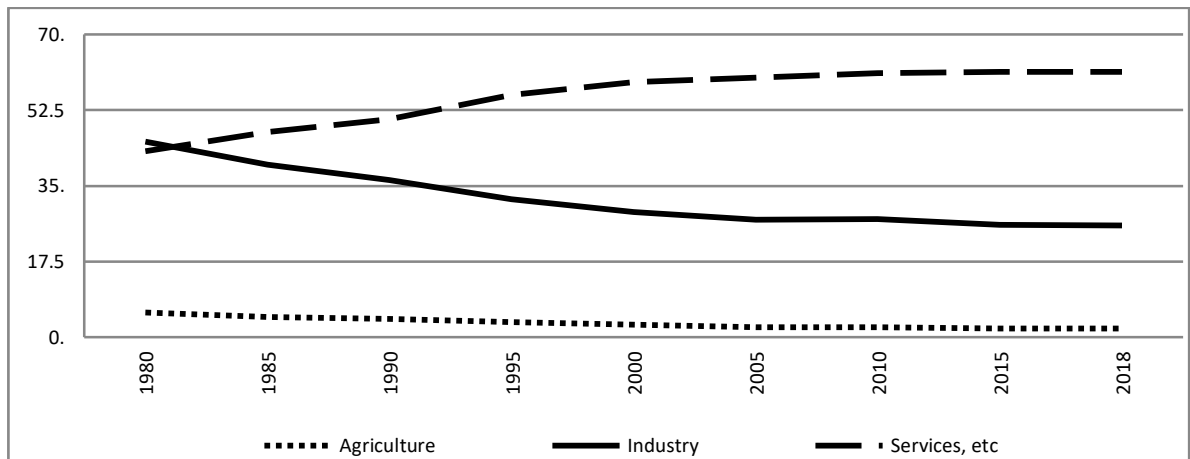


Figure 14: GDP Composition by Sector of Origin (%)

Source: World Bank, 2019

With a share of 59.7 % in GDP, South African trade demonstrates that the country has an open economy compared to the other BRICS members (World Bank, 2019h). After years of experiencing trade deficit, South Africa recorded a trade surplus of US\$ 5.237 million in 2017. Since then, the country maintains this surplus. The main export partners of South Africa have been China, the US, Germany since 2005 and the main import partners have been China, Germany and the US for the same time span. China has increased its share to a large extent over the years both in exports and imports (UNdata, 2019b).

Merchandise trade has the biggest share in GDP with 57% (World Bank, 2019t). Importantly, travel services has the largest share of service exports in the country with 56.2 % (World Bank, 2019u). Mineral resources are abundant in South Africa and its top exported commodity products are gold, platinum, coal, briquettes, ovoids, iron ores and motor cars (WITS, 2019c). Considerable amount of export revenue is generated by the resource industry, in which mining sector is completely privately owned (Wilson, 2015).

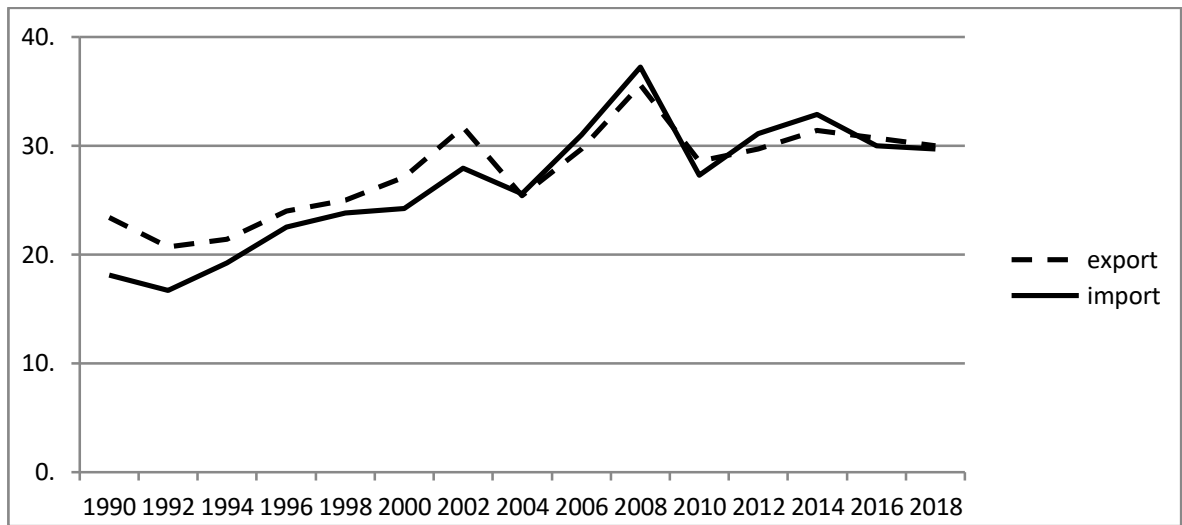


Figure 15: Imports and Exports of Goods and Services (% of GDP)

Source: World Bank Data, 2019

The FDI inflows to South Africa has declined sharply right after hitting the highest record in 2008 with 9.8 billion. Afterwards, a period of ups-and-downs has continued to date. In 2018, 5.4 billion of FDI inflows were recorded, which are incomparably the lowest among the BRICS in 2018 (World Bank, 2019).

Stabilized growth is essential for South Africa and the share of the working-age in population compared to the dependent-age population is believed to play a great role in this respect. This issue receives great attention in policy-making so that this trend could be turned into an opportunity through diminishing economic inactivity and unemployment (Bruni, Rigolini, & Troiano et al., 2016). Unemployment is one of the most serious problems of the South African economy. It has been sharply on the rise since 2008. Youth unemployment and total unemployment are reported to be 52.8% and 27%, respectively for 2018 (World Bank, 2019k). South Africa has key development challenges. It has the highest unemployment rate among the BRICS. The gini coefficient of the country is 63, which is again the worst among the BRICS, showing that income is unevenly distributed, and dual economy still persists. In addition, its HDI ranking of 113rd is not bright compared to the other BRICS members, which only outperforms India. Besides, its average annual HDI growth

rate of 0.46% between 1990 and 2017 is quite low (UNDP, 2018). Although South Africans saw a fall from 33.8% in 1996, 18.9% of the population of country still live below income poverty line (\$1.90 a day), which makes it second poorest country after India (UNDP, 2018). All of these point out that further reforms are necessary to boost the standard of living in South Africa.

As the economic powerhouse of the African continent, South Africa has gradually gained power in the region after the apartheid years of isolation from the international community. Rich natural resources and advanced services sector are important components of its economy. However, in terms of major macroeconomic indicators, South Africa is less developed than the other BRICS countries. Like Brazil and Russia, South Africa has shown struggling signs since the 2008-2009 crisis. Moreover, rampant unemployment, poverty and unequal distribution of income stand as serious social risks within the country.

To conclude, there appear some differences and commonalities among the BRICS countries. First of all, they have some commonalities in their economic histories. They all have experienced structural changes as opening their economies especially from the 1990s onwards. However, the degree of state intervention has differed among them. Government in China has had more control on economy than other members to date. While Brazil, Russia, India and China have increased their GDP drastically since 1990, South Africa stands as an exception with much lesser increase. Besides that, the greatest growth belongs to China. Moreover, economic performances of the countries after the 2008-2009 global financial and economic crisis also vary to considerable extent. As seen from Table 1, growth rates of Brazil, Russia and South Africa considerably slowed down, while Russia has had the sharpest decline, which was worsened with economic sanctions imposed on it. Due to dependence on the commodities export, Russia, Brazil and South Africa showed their vulnerabilities. However, China and India have been doing better since they have been less affected.

Another difference among the BRICS is the changing share of the industry in the composition of their GDP since 1990. All of the BRICS have undergone a transition from agriculture. However, while in Brazil, Russia and South Africa industrial sector has lost its share to a great extent to date, in India and China its share remained more or less the same. According to (Nassif, Feijo, & Araújo, 2016), this is one of the biggest factors behind the impressive growth trajectories of China and India as the engines of the group.

Furthermore, while there was a dramatic upward trend in FDI inflows in the pre-crisis period, it slowed down thereafter (Siddiqui, 2016).<sup>77</sup> Currently, China is the leading country in both FDI inflow and outflow volumes among the BRICS.

Table 2. Inward FDI from Top Three Counterpart Economies and Outward FDI into Top Three Counterpart Economies						
	Inward FDI into the BRICS (%)			Outward FDI from the BRICS (%)		
	1st	2nd	3rd	1st	2nd	3rd
Brazil	Netherlands (25%)	The US (17%)	Luxemburg and Spain (each 9%)	Cayman Island (29%)	Virgin Is- land (18%)	Bahamas (15%)
Russia	Cyprus (37%)	Netherlands (9%)	Bermuda (%7)	Cyprus (46%)	Netherlands (13%)	Virgin Island (11%)
India	Mauritius (20%)	The US (16%)	The UK (15%)	Singapore (18%)	Netherlands (16%)	Mauritius (14%)

<sup>77</sup> In this process, the important issue is the implementation of Quantitative Easing (QE) by the US in 2011, and the reversal of this policy in 2015. QE increased capital flows to emerging countries at first. However, with the withdrawal of QE, emerging economies such as Russia and Brazil confronted capital outflow and depreciation (Wang, 2017).

China	Hong Kong (46%)	Virgin Is- land (11%)	Japan (6%)	N/A	N/A	N/A
South Afri- ca	The UK (41%)	Netherlands (18%)	The US (7%)	China (60%)	The UK (9%)	Mauritius (4%)

Source: The IMF Coordinated Direct Investment Survey (CDIS), 2017 Data.

Besides, the BRICS countries need to engage in more investment engagement. As seen from the Table 2, intra-BRICS FDI flows is limited. South Africa solely constitutes an exception in that China is the main destination of South African FDI outflows. Except this relation, none of the BRICS countries are important FDI partners.

Social indicators also vary to great extent. For instance, Russia has the highest GDP per capita among the other BRICS countries by a wide margin, and it is the only county within the group with a per capita income above the world average (US\$ 15.941). In terms of GDP per capita, India is ranked the lowest among the BRICS. While South Africa has the highest and Brazil has the second highest unemployment rate in the group, Russia, China and India remain below the world average. However, the BRICS countries also share commonalities in some improvements such as increase in the wage employment, on the one hand, and in coping with the persisting problems like informal employment, on the other hand. Furthermore, the BRICS countries stand much lower in HDI. In this realm, Russia, as seen in Table 1, is ranked the highest.

### **3.3. THE BRICS SOFT POWER**

#### **3.3.1. Soft Power As a Source of Influence**



Owing to the growing multipolarity, world politics is composed of many spheres of influence, in each of which different power configuration is seen. Resting foreign policy making solely on hard power mechanisms is not enough in the current world order. Currently, states do not only compete for hard power but also for soft power. And as a practical analytic tool, 'soft power' concept is on a concurrent ascent with the concept of emerging states. Ideational value of soft power is a relevant consideration to identify the position of emerging powers. And hence, there is a growing attention to the subject of soft power in the literature, particularly, regarding those of emerging powers.

As seen in the Nye and Keohane's (1998) description of existing system of complex interdependence, in which people and states are more socially bound together due to increasing access to information, currently, soft power constitutes an indispensable part in the foreign policy-making. Nye (1990:168), as the scholar, who introduced the concept of soft power to the literature, defines soft power as:

*'Co-optive (soft) power is the ability of a country to structure a situation so that other countries develop preferences or define their interests in ways consistent with its own.'*

However, due to the relativity and broad interpretation of the concept, it is still difficult to clearly determine what its selective tools are, how these resources are manipulated, which national actors wield it and what implications it has. Soft power can be derived from a number of selective endowments and mechanisms such as power of language, transparency in government, public diplomacy, diplomatic engagement, socio-economic model, cultural heritage, and export of cultural products, power of media organizations, quality of companies, nation branding and so on. Economic resources can also be included depending on the context, if these resources are used for soft influence. In some cases like economic assistance, it is difficult to distinguish between hard and soft power since they are *'inextricably intertwined in today's world'* (Nye, 2004:30). For Nye (2013), however, culture, political values and foreign policy are one step ahead among others as the main sources of soft power. In addition to these resources, Cooper (2004), emphasizes the significance of the legitimacy of state activities for effective soft power implementation.

Soft power can be used to fill the void resulting from structural material constraints on actors' behavior. However, it may not be sufficient to compensate the reduced hard power in every context. Because, unlike in hard power, countries have to wait longer in soft power projection to see a significant return on their investment, as Nye (2004: 99) puts: '*...sometimes take years to produce the desired outcomes*'. At this point, foreign policy based on combined deployment of both hard and soft power might be preferred by the states. This is called 'smart power' defined as the ability to combine hard and soft power effectively" (Nye, 2008:107).

In addition to resource-focused evaluation, relationship between actors is also prioritized in some works. By challenging the analyses that focus on the resources associated with soft power, Chatin and Gallarotti (2016) argue that implementation and impact on target group should also be considered in measuring its durability and sustainability. As highlighted in the constructivist approach, one should focus not only on the resources of the agent but also on the perception of the subject and the change in the behaviour of the subject. In a similar vein, by considering the different interpretation of the same soft power resource utilized by the same actor, Feklyunina (2016) defines the soft power as a relationship rather than an endowment. Constructivist understanding emphasizes also the role of identities. Accordingly, identities determine the interests of the states. Soft power mechanisms can help a state to construct and promote an identity for itself in the eyes of target audience, which ultimately serves the interest of that state by creating attraction (Tella, 2015).

While the resource-focused assessment of soft power has some shortcomings, the empirical studies based on relationship is also limited. Because it is not easy to measure how the target audience interprets the soft power projection, whether a desired persuasion and attraction occurs and if so whether it is a result of soft power projection. Shortly, it can be stated that the concept is still theoretically developing. However, soft power is a useful concept to be put into perspective while analyzing the BRICS countries. In order to scrutinize the influential power of the BRICS, soft power should also be examined.

### 3.3.2. Overall Picture of the BRICS Countries

As a regional powerhouse, Brazil is a successful soft power player. Particularly in the eyes of developing countries, the country is a South-South Cooperation provider. Accordingly, the country is considered as a responsible bridge-builder between the North and the South. As a well-institutionalized democracy<sup>78</sup>, the country adopts Western liberal values such as human rights, multilateralism and democracy. Brazil tries to be voice of the developing world, especially of immediate neighbors in South America and Africa, as can be seen in its efforts that has been intensified since the 2000s by privileging mutual cooperation, mutual gains and solidarity.<sup>79</sup> It embraces discourse of ‘development partner’ instead of ‘recipient/donor’ and offers more autonomy and less conditionality while providing know-how and financial assistance. During the Lula term (2003-2011), an important qualitative and quantitative leap of development cooperation was achieved, and this was maintained during the presidency of Rousseff (2011-2016) as well, but within a different agenda with different features (Suyama, Leite, & Waisbisch, 2016). Brazil also offers technical and management consultations<sup>80</sup>, information-sharing on top-security issues, financing for trans-boundary projects. However, self-interested motives should not be denied at this point, considering the fact that Brazil has been seeking support for permanent seat on the UNSC.

One of the most important contributions that Brazil makes is its peaceful and active participation to high-level policy and security issues, by favoring peaceful settlement of disputes and conflict resolution, based on commitment to international law and dialogue. As a country with a history of few armed conflicts, manifestation of its opposition to the

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<sup>78</sup> The country is scored 6.89 between 0-10 and it corresponds to flawed democracy. However, it is still better than China and Russia, and many other countries. For more information, see: <https://infographics.economist.com/2018/DemocracyIndex/>

<sup>79</sup> In the second chapter, how shift in the official narrative towards developmental-multipolarity-oriented foreign policy has taken place in this country was stated briefly.

<sup>80</sup> Brazil has dramatic expertise in agriculture technologies and food security.

use of military force<sup>81</sup> is seen in its proposal of Responsibility While Protecting (RwP) in 2011. As Chatin (2016) argues, even though this norm-shaping was withdrawn later on, this can be regarded as rejection of staying on the sidelines of high-level issues like intervention and precedence of non-Western normative entrepreneurship and agenda setting. Entitling Brazil as '*distributive value-claiming actor*', Burges (2013) attributes maintenance of this role to generation of new ideas and influencing other states with them. However, while trying to create positive image abroad, Brazil has been suffering from weak perceptions, mostly in terms of quality of life, homicide, and corruption (Gardini, 2016), which ultimately undermine its credibility and legitimacy. 2016 Olympic Games in Brazil, for instance, sets an example for this. This mega event was overshadowed by domestic riots for better public services.

When the soft power implementation of Russia is considered, one can see a systematic top-down strategy, mostly through state-controlled tools<sup>82</sup> as well as considerable amount of financial capacity devoted (Stuenkel, 2014). Regionally oriented soft power exercise targets post-Soviet Russian speaking communities. Russkiy Mir Foundation, Russkiy Dom, which are government bodies at regional and local levels, media outlets and Russian Orthodox Church are the main bodies to reach compatriots. Policy-makers in Russia have already realized the importance of soft power and have given place in official statements.<sup>83</sup> Furthermore, sport diplomacy through hosting mega-sporting events is a significant component of the government's soft power toolbox, which is used to create international prestige (Castro, 2018). Russia contains both favorable and unfavorable conditions within the country. Lack of political freedom, pressure on civil society, bureaucratic corruption, organized crime and homophobia, aggressive foreign policy can be counted as the main

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<sup>81</sup> Brazil's military expenditure represents 1.5% of its GDP by 2018 (SIPRI, 2019).

<sup>82</sup> Sputnik and Russia Today as state-backed media outlets are instrumental in dissemination of national narrative and in control of information in this sense.

<sup>83</sup> The concept of 'soft power' was publicly referred to as a '*comprehensive toolkit*' for the first time in Ministry of Foreign Affairs policy document in 2013 (MFA Russia, 2013). A year after a soft power doctrine entitled 'Integrated Strategy for Expanding Russia's Humanitarian Influence in the World' was adopted, revolving around the theme of mending image deficit.

problems. As a striking instance, when the number of judgments in the European Court of Human Rights (ECHR) during the period between 1959 and 2018 are taken into account, Russian Federation is ranked the second with 2.501 cases<sup>84</sup> and the majority are under the category of rights to liberty and security. Emphasis in the literature of Russian soft power is placed on motives behind its foreign policy implementation. Some regard soft power implementation of Russia as a revisionist message to counter global hegemony and as an attempt of creating regional hegemonic order. For instance, Wilson (2015) states that as a country with imperial and great power legacy that already hoarded huge capital in post-Soviet area, Russia desires to be respected especially in that area. In a study assessing the set of policies of Russia concentrated in the CIS and Baltic States on issues such as culture, religion, language, youth work and legal situation of compatriots, Conley, Gerber, Moore, and David (2011) state that in some cases these policies of Russian Federation generate a forced appeal just like the policies of Soviet propoganda agencies previously used to do. However, some scholars come up with moderate explanations. For instance, adopting objective-oriented approach to the legacy of influence and activities of the Russian Federation in the former Soviet states, Tsygankov (2006) argues that these policies, mainly in the form of agreement and institution building, are for stabilization and healthy interdependence in the region rather than establishing political and economic hegemony. Overall, one can claim that Russia tries to mend its existing image deficit. However, it will not be easy in an environment of oppression and intolerance at home.

Regarding China, it can be stated that it has been building a state-level ambitious soft power implementation model, as an official goal just like Russia does. Hu Jianto's inclusion of soft power in the policy strategy for the first time at the 17th National Congress of the Chinese Communist Party (CCP) in October 2007 is an example of how much importance is attached (Xinhua, 2007). The state has a great amount of material capacity to invest in soft power enhancement. In this sense, for instance, while the soft power of Brazil seems more like an inherent attraction resulting from its general stance,

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<sup>84</sup> It comes after Turkey, with 3.532 cases (European Court of Human Rights, 2018).

China and Russia, however, make greater effort of projection to shape their image in a preferred way (Breslin, 2011). Culture is among the most important aspect of China's soft power policy to correct the image of threatening China. The state is actively working on academic exchanges, Year of China Organization, mega international sport events like the Beijing Olympics. However, although it has reached to certain levels in some realms, in some others it has not. By giving the example of audiovisual industry, Vlassis (2015), for instance, argues that China has been lately pursuing dynamic cultural policies but not to the extent that it can build alternative to existing global cultural symbols. Language, as another important component in the context of cultural promotion, is disseminated via Confucius Institutions which started to serve in 2004. Unlike the film industry, it is an area that China is quite influential. These practices can be evaluated also as a part of China's social integration into the globe, given the importance of Chinese media organizations extending to globe such as CCTV, Xinhua, China Daily, China Radio International. Furthermore, China uses its international infrastructure projects and aid programmes to bolster South-South Cooperation, which may help it to consolidate the narrative of China's 'peaceful rise' (Bijan, 2005). However, these initiatives are sometimes viewed by some target societies as too ambitious and unfavorably (Albert, 2018). Lastly, China follows many domestic policies that erode its soft power. For instance, it implements a national internet policy to block citizens to access sources such as foreign news, and widely used popular websites.

South Africa is one of the most multicultural and multiracial countries. It is a country that has gained credibility and legitimacy due to its liberal democratic transformation<sup>85</sup>, following dismantling of the apartheid regime led by Mandela in 1994. South Africa pursues two-way activism in international affairs. On the one hand, regional level commitments have been embraced by policy-makers arising from its African identity and its regional hegemonic status. 'African Agenda' under the Mbeki rule was one of the most

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<sup>85</sup> For more information about why South Africa's liberal constitution is regarded as successful, see: <http://www.wethepeople.org.za/static/how-the-constitution-affects-you>

explicit examples of soft power engagement. Mbeki played critical role in resolution of the disputes in the region and in the initiatives of economic development (Ogunnubi & Okeke-Uzodike, 2015). However, later on, during the Zuma period, South Africa have been given more continental leadership role due to its material superiority compared to its neighbors, which is also manifested with its BRICS, IBSA and G20 membership representing the continent. However, according to Ogunnubi and Amao (2016), in order to turn its soft power into influence, South Africa should not further its leadership aspirations to the extent of undermining sovereignty of other continental powers. South Africa, on the other hand, has increased its global presence. It has pursued global level norm promotion such as democracy, human rights, multiculturalism and played a leading role in global trade negotiations in multilateral institutions such as the WTO (Westhuizen, 2016). The constitutional order and the rule of law as attractive political values as well as cultural attraction, which arises from music, cinema, sport events, soap operas and celebrities, are also a soft power tools, which depict the country favorably (Ogunnubi and Okeke-Uzodike, 2015).

As to India, as a well-institutionalized democracy, it combines its attractive political values, cultural attraction and its economic development together so that it can promote its attractiveness firstly in its region, and then around the globe. India is a cultural giant both regionally and globally. The government has included the culture ambitiously into the country's foreign policy. Accordingly, many cultural centers are established and many cultural events are organized. Particularly, Indian film industry reflects the cultural imagination of the country and modern image by attracting audiences across the globe (Wagner, 2010). Democracy, free media, secular values and active civil society are important assests to be considered in that the country has a multiracial and multireligious society. India is engaged in democracy promotion initiatives abroad on many multilateral platforms as well. It is ranked second after the US in ranking of contributions by cumulative amount to the UN Democracy Fund (The UN, 2018). However, Thakur (2014) claims that due to its dual identity as both developing and responsible rising power, India can neither be rule taker nor rule maker. However, these are significant efforts for Indian

self-description as a peaceful rising country. The soft power implementation of India prioritizes a specific region, namely, South East Asia. The country has ties with the region in many spheres such as commerce, culture, economy, education, tourism and sports (Malone, 2011). According to Kumar Das (2013), in an environment of regional economic interdependence driven by ASEAN, its outward-oriented liberal economy as a determinant that links the country to its neighbor states peacefully, should be also taken into account in addition to its cultural and civilization heritage or political legitimacy of the country.

When some of the soft power indicators are applied to the BRICS countries, the following findings are reached:

- The Elcano Global Presence Index measures economic, military and soft presences<sup>86</sup> of 120 countries. When the 2018 ranking by soft power dimension is considered, it is seen that Brazil, Russia, India, China, and South Africa are ranked 18<sup>th</sup>, 9<sup>th</sup>, 8<sup>th</sup>, 2<sup>nd</sup> and 23<sup>rd</sup>, respectively ( Real Instituto Elcano, 2019).
- 2019 FutureBrand Country Index (Future Brand, 2019) ranks the perception of 75 countries (top 75 countries in terms of GDP) and reports that Brazil, Russia, India, China, and South Africa are positioned 47<sup>th</sup>, 27<sup>st</sup>, 41<sup>st</sup>, 29<sup>th</sup> and 51<sup>st</sup>, respectively.<sup>87</sup>
- As another measurement, Soft Power 30 ranking can be given place, which is based on measurement and comparison of soft power endowments<sup>88</sup>. And only Brazil,

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<sup>86</sup> Elcano Global Presence Index does not use the term ‘power’, and includes migration, tourism, sports, culture, information, technology, science, education, and development cooperation under the soft presence dimension. It is important to note that share of the soft presence is way lower than economic presence in all of the BRICS countries. However, it is the highest in China among the BRICS (Real Instituto Elcano, 2019).

<sup>87</sup> This index is based on polls. Six anchor dimensions (value system, quality of life, business potential, heritage& culture, tourism, made in products and services) are rated by individuals (Future Brand, 2019).

<sup>88</sup> The index combines objective data and international questionnaires as subjective component. Comparison, here, is made under the objective data categories of Government, Culture, Education, Global Engagement, Enterprise, and Digital as well as polling data categories of cuisine, tech products, friendliness, culture, luxury goods, foreign policy and liveability (Portland, 2019).



Russia and China were able to get in this top 30, with 29<sup>th</sup>, 28<sup>th</sup>, 27<sup>th</sup> rankings, respectively (Portland, 2018).

### **3.3.3. Soft Power Promotion As a Group**

Individually, all of the BRICS countries are aware of the significance of incorporating soft power components into their foreign policy practices. The BRICS group may serve the interest of member countries in this sense. Gallarotti (2016) introduces the concept of 'compound soft power' and sees multilateralist basis of the group as the main component of soft power. According to this argument, this new source of soft power with a new characteristics emerges organically, no matter how the BRICS group seems heterogeneous in many aspects. Multilateralism, at this point, is very crucial. As multilateral institution, New Development Bank itself can be regarded as soft power precedence in that it is non-coercive in character and constructive in outcome, increasing the influence of the BRICS countries in development cooperation.

In a similar vein, Stuenkel (2016) also finds the BRICS group as useful platform to promote attractiveness of each country. They can utilize the group as a multilateral platform to bolster their individual soft power resources and mechanisms. The strategic narrative that the BRICS have constructed as a communicative tool almost in a decade can be regarded as soft power endowment which may serve the interests of members (Roselle, Miskimmon, & O'Loughlin, 2014). Within their strategic narrative, the BRICS countries are also creating a collective identity narrative as responsible emerging powers as seen in joint comminiques. Similarly, Feklyunina (2016) considers collective identity as a mechanism of soft power, which is constructed through narrative and projected by an actor to the target actor(s) that may ended up with changes in the interest of the target actors. When this understanding is applied to the BRICS through the self definition of 'we', it might make the interests of members more compatible to one another.

In summary, BRICS countries have become soft power contenders. They understand the role of soft power in complementing their hard power capabilities. This is why, their position in the current world order should not only be assessed from their material capacities but also from the viewpoint of their soft power. BRICS countries have different internal conditions such as volume of state funding, inclusion of commercial and other non-state actors in soft power projection, and domestic legitimacy to use that power efficiently. Each country has its own country-specific version of 'soft power', alternating between more spontaneous and planned. For instance, China and Russia pursue more top-down strategies in their soft power projections than other members. Regarding this point, Nye (2013) claims that the position of the government in China and Russia as the main instrument of soft power is a mistake. Besides, soft power creation is backed by vast funding in these two countries. As we can see in the China's and Russia's case, countries sometimes choose smart power projection. However, they have to find the right balance by combining two sorts of power. Acting too assertive may cause negative perception on the target. What is discernible is, the prioritization of the regional strategies by all members. However, they also put great effort for the better global image through various mechanisms that shape their identities as responsible emerging powers and voices for developing world. Additionally, the BRICS countries need to take the legitimacy as an aim for more effective soft power. To this end, they have to provide free political environment to their citizens, provide better social services and eliminate corruption.<sup>89</sup>

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<sup>89</sup> Corruption perception index is annually reported by Transparency International. 0 denotes highly corrupt and 100 denotes very clean. According to this index, the scores of Brazil, Russia, India, China and South Africa are 35, 28, 41, 39 and 43, respectively, which shows us countries suffer from critical corruption (Transparency International, 2019).

## **CHAPTER 4: INTRA-BRICS RELATIONS**

This chapter aims to provide an account for intra-BRICS relations by analyzing their intra-group dynamics. The group is based on voluntary commitments and decision-making by consensus. Although each member has its own national agenda, the group can accommodate their agendas in a cohesive way when necessary. Accordingly, this chapter examines how far the group has expanded its sphere of cooperation, and has consolidated its position in global issues, and which challenges stand against their promotion of cooperation.

### **4.1. PROSPECTS FOR FURTHER COOPERATION**

The claim that the group has a very limited and problematic partnership, and hence, has a short life can be seen in countless comments and researches (Pant, 2013; Wallerstein, 2016; Degaut & Meacham, 2015). However, this can be considered as a reductionist stance, since it overlooks the diplomatic activeness of the group, and the considerable ground these states have gained to date. As Stuenkel (2013) argues even though the group started to cooperate in the realm of international financial governance, which built initial trust among them, their agenda has become broader over a short period of time. This spillover effect has made their link and interdependence stronger, and hence, cooperation has become more independent from their collective economic growth. Furthermore, instead of deterring the members from further cooperation, the global economic slowdown experienced over the last years might encourage them to cooperate more so as to construct a favorable internal and external environment in their course of sustainable development.

When their country profiles are taken into account, on the one hand, intra-group egalitarianism and consensus-oriented democratic decision-making are significant aspects of the BRICS, among which there are intra-group power asymmetries, but on the other hand, they aim to develop a common identity. The leaders of the BRICS take this aim quite seriously as can be seen in President Putin's (Putin, 2017) remarks in his open letter

released before the 9<sup>th</sup> Summit, which showed that instead of imposing certain conditions to a member country, tolerating ideational diversity was found practical and positive. In this sense, conflicting interests resulting from ideational diversity are not oppressed; but rather, member countries try to find common grounds. Moreover, another noteworthy issue is the existence of a tendency to take a joint position, on which the BRICS have the most in common. In other words, complementary interests are brought to the fore. For instance, some of the BRICS members are in bilateral disputes due to their competitive geographical interests. This is most visible in India-China relations. However, the BRICS dialogue provides a buffer zone, which moderates the members regarding their risk-bearing dispute areas.<sup>90</sup> The BRICS is a forum for member countries to struggle to build bilateral peaceful relations, and to reinforce existing ties with one another, regardless of their past or potential conflicts. As a dialogue platform, the group can make members put the brakes on some of their unilateralist decisions in order not to allow their differences to cloud other issues they prioritize (Cooper and Farooq, 2013). This denotes how collective identity has been emerging gradually.

When it comes to the question of why the BRICS affiliation matters for individual BRICS countries, there stand a number of reasons. By all means, the BRICS is not the first cooperation platform for these countries to increase their regional status. There are many intra-regional mechanisms, which they have initiated or have actively participated since the early 1990s (Tian, 2016). However, as regional powers, member countries can increase their status both regionally and globally also through the BRICS. With regards to their self-positioning at the regional and global level, Gallarotti (2016) assesses intra-BRICS relations as mutually beneficial and highlights the complementary character of power asymmetries between more powerful Russia and China, on the one hand, and weaker

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<sup>90</sup> Among many, compromise on recent Doklam crisis between China and India can be a good example although they have different diplomatic styles. Tension calmed down just a week before the 9th Xiamen Summit, proving how strategically the parties acted. India's official press release is available at:

[https://mea.gov.in/press-releases.htm?dtl/28893/Press\\_Statement\\_on\\_Doklam\\_disengagement\\_understanding](https://mea.gov.in/press-releases.htm?dtl/28893/Press_Statement_on_Doklam_disengagement_understanding)

Brazil, South Africa and India, on the other hand. It is possible to argue that if the NDB and the CRA succeed as planned, members can become development pioneers in related fields. Within broad cooperation areas, they can transmit information and work on their pressing socio-economic issues to find responsive, inclusive and collective solutions (Nataraj, 2016). If they act collectively, they can increase their bargaining power at the global scale.

Member countries can create favorable environment through more intra-BRICS cooperation on issues they have weaknesses, and complete this process externally by working on reconstruction of global governance in line with growing multipolarity. In summary, the BRICS, as a multilateral platform, also serves as an instrument for member countries to coordinate their foreign policies and to have more voice in the global decision-making for a more multipolar world order as will be detailed below.

#### **4.1.1. Call for Global Governance Reform: Where the Cooperation Starts**

Increasingly after the 2008-2009 global financial and economic crisis, it has been disputed whether global challenges could be effectively addressed through the existing global governance bodies, while their legitimacy has been at risk due to under-representation of many countries (Farrell, 2005). It has long been argued that the global economic governance should adapt themselves to the rise of emerging countries. Increasing diplomatic activeness of dialogue platforms created by emerging powers such as IBSA, BASIC and the BRICS reinforces this argument. However, legitimacy crisis in global governance as underrepresentation and inefficiency cannot be read only with the narrative of rise of the rest and their diplomatic activeness; rather it is also about backlash from the West (Hurrell, 2018). In an environment where the US and the European countries are concerned more with their domestic problems, an opportunity arose for emerging countries to be more active in global governance.

Accordingly, in order to safeguard their systemic interests and reflect their own values, the BRICS countries want their economic growth to be recognized by traditional dominant

states. It is well known that the BRICS countries have achieved their economic growth within the Bretton Woods framework and they have all been bound by the decisions of those institutions. Notwithstanding the national challenges they have been confronting, they managed to raise their voices on key issues like the global governance reform. They have been trying to make changes in global governance institutions to make them more responsive to their concerns and other developing countries.

In spite of the criticism directed to the BRICS countries regarding lack of commonality, as will be detailed below, they remain unified in their dissatisfaction with the dominance of certain countries within the multilateral global institutions. Reform of the global economic governance is the area, towards which the BRICS group has paid the most attention over the years, and it is also the area, where the members have most converged interests as seen from each Summit documents. In a similar vein, by emphasizing external factors, Fourcade (2013: 261) attributes the BRICS common unifying position to the exclusion from *'the ideological frameworks and governance structures of the world economy'*. Another important thing to note here is their commitment to multilateralism while raising their demand for governance reform. This may facilitate the coexistence between multipolarity and multilateralism.

In the light of these, this section is divided into three realms of enquiry. First, pressing reform call for global economic governance as well as the role of the BRICS at the G20 will be detailed. Secondly, the NDB and the CRA, as the parallel institutions to the global institutions, will be evaluated. Thirdly, as a complementary issue to understand BRICS cooperation, the UNSC reform will be touched upon.

#### 4.1.1.1. Reform of the Global Economic Governance

##### 4.1.1.1.1 The BRICS-G20 Relationship

The relationship of the BRICS with the G20 should firstly be mentioned since it has become the most visible platform for the BRICS to raise their voice for global governance reform. The G7 had long been controversial due to its limited membership, and hence, the G20 was created as Finance Ministers Forum in 1999. After tectonic 2008-2009 global financial and economic crisis, the G20 was upgraded. It started to function as a Heads of State level forum, and has become the key hub of international economic governance accommodating emerging powers. Although the G7 retains its existence, the G20 stands as the '*premier forum*' (G20 2009, p.19). It is a significant meeting place to facilitate dialogue, in spite of the fact that '*its decisions and actions are not governed by international law and it is not accountable to representative bodies*' (Alexander, Löschmann, & Schüle 2016). As a sign of increasing informality in global governance (Cooper and Farooq, 2013), the G20 is now regarded as a platform for emerging powers to become more vocal, while working with advanced powers, and as a stepping stone to reform the Bretton Woods Institutions (Maxwell, 2009). Eremina (2018) considers the G20, in which emerging states have increasing weight, as an instrument to raise awareness in the global community about current global state of power shift and relevancy of multipolarity.

Both the BRICS and the G20 operate informally outside of the Bretton Woods Institutions. All the BRICS countries are the core members of the G20.<sup>91</sup> The BRICS devotes great attention and effort to the G20. It is a frequently mentioned institution in the BRICS documents. Since their first meeting in 2008, even before the Summit process has started, BRICS countries have always expressed that the G20 should play the biggest role in global economic coordination and policy making. In the areas that prevent trade protectionism, trade and investment cooperation and global monetary issues, the BRICS have always given their support to the G20. Even the statements on global order were quite similar to

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<sup>91</sup> It should be added that before the G20, the BRICS, or to put it more correctly, the BICSAM (BRICS plus Mexico minus Russia) states were given representation as junior partners at the G7 Gleneagles Summit in 2005 upon invitation (Kirton, 2010). Chinese officials were invited a year earlier. This invitation process was extended to following years and called as the Heiligendamm Process. This is a solid example of the engagement of the BRICS countries in key plurilateralist initiatives (Nayyar, 2016).

one another in the 2009 BRICS Summit Declaration and the G20 2008 and 2009 Declarations. Before each G20 summits, the BRICS leaders, including many ministers, advisers and authorities, come together in a meeting and conduct an evaluation. Informal meetings during the Summit process enable them to coordinate their positions on key issues on the agenda, and to raise their voices as exemplified at the 2012 G20 Summit in their joint call for resource increase in the IMF, and in 2013 in their frustration with protracted implementation of the IMF reform (Tian, 2016). However, these two groups have different dynamics and they matter differently for global community. Therefore, the relationship between them is sometimes disregarded and they are seen as rivals. For instance, Carmichael (2016) introduces a different interpretation the BRICS-G20 relationship and claims that efforts and focus should be given to the G20 as the main dialogue platform instead of to the G7 and to the BRICS, which are rivals to the G20.

However, alongside the appraisal, the G20 has been receiving negative reviews regarding some points (Luckhurst, 2016). While the G20 is more compatible to the multipolar economic reality than other informal groups such as the G7 in terms of membership, it still represents only about 10 percent of the total of UN members, and it is regarded as the continuation of elite club culture in global economic governance. It is argued that the G20 should be institutionally reformed since it leaves out many developing countries (Payne, 2014). While the distribution of voting rights is a matter of legitimacy in the Bretton Woods Institutions, limited representation makes the G20 illegitimate for some scholars.<sup>92</sup> This makes the G20 a subject of representational inequality. That being the case, the BRICS has not taken substantial steps to make the architecture of the G20 more inclusive (Cooper, 2014). However, some scholars interpret the balance between the number of members and effectiveness differently. To Narlikar (2017), although small in number, the G20 accommodates the ‘critical mass’. Similarly, Eremina (2018) regards the G20 representative enough since it is composed of systemically important countries, producing

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<sup>92</sup> Think 20, Business 20, Civil 20, Youth 20, Labour 20, Women 20, Science 20 are initiatives that are part of the G20 Outreach Processes. The engagement of this non-state network with summit agendas played a meaningful role in elimination of criticisms.



more than 80% of the global output and majority of the global population. The debates regarding the G20's inclusiveness arises the question of whether the BRICS are genuinely struggling for the developing world so that they are included in the global economic governance.

In addition to representativeness, agenda setting and achieving consensus within the forum is also controversial. It can be claimed that the agenda of the G20 has expanded from the management of global financial crisis to various social challenges. With each presidency period, new initiatives are presented by hosting members, piling up in the end.<sup>93</sup> However, golden moment of the forum, when the 2008-2009 global financial and economic crisis was the overriding issue driving the member countries collectively have effective responses, has gone. Since the G20 is broader and less coherent than the G7 in terms of the number of countries, with different developmental stages and national interests, the subjects brought to the agenda are also more diverse, concordantly (Wiltse, 2013a). Moreover, compliance to the issues discussed at meetings, including global governance reform, varies to a great extent, creating internal fraction, and hence, slower implementation of the reforms (Warren, 2017). This slowness can also be attributed to fading of urgency after the 2008-2009 crisis, and the group's non-binding nature. Because of these reasons, the G20 has come under question.

At this point, the BRICS, as the major emerging powers, create an expectation among the developing countries. Even though they are growing slow lately in parallel with the global overall trend, and they face domestic political pressure, they should not become reluctant emerging powers within the forum to reverse the inadequate progress in economic cooperation for robust, balanced and sustainable growth (Bernes & Lombardi, 2016). As Boule (2011) claims the BRICS countries are expected to actively set the agenda within

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<sup>93</sup> The country holding the annual presidency has impact on the focus of the G20 by putting its own mark on global economic governance. So far, two of the BRICS have become the host and president of the G20, namely, Russia and China, in 2013 and 2016, respectively.

the G20 to make it more relevant for developing countries and spearhead the implementation of decisions. It should also be added that agenda setting can be an effective soft power projection for the BRICS if it is assumed legitimate by the target audience (Nye, 2011). This need was also acknowledged by the members themselves as can be seen in the official documents (BRICS Business Forum, 2013). If the agenda setting capacity of the BRICS towards more developmental issues remain limited at the G20, which already has an elite club image, this would eventually undermine the argument that the BRICS is the representative of the Global South. Furthermore, without representation of the developing world, the G20 would remain irrelevant. Agenda setting within the G20 had been traditionally confined to advanced countries and the BRICS countries should be more participant and innovative in agenda setting. Other important areas that the BRICS are effectively struggling in the G20 are international taxation policies, tax governance and capacity enhancing in developing countries (Sharma, 2018). Even though agenda setting started to change, shift is slow and mostly limited to China. For instance, during the 2016 Summit, China engaged in rule making and played an important role in the formulation of the Strategy for Global Trade Growth and the Guiding Principles for Global Investment.

Most importantly, on the part of the BRICS, the G20 has become a platform for them to call for changes in the balance of voting shares in the Bretton Woods Institutions. The most tangible result of their cooperation on the margins of the G20 was the decision to reform the IMF and the World Bank. As stated earlier, it was as early as 2008 when the BRICS first raised an increase in their financial contributions to the IMF and the World Bank, and hence, quota shift. Those claims had been reiterated in several occasions. Finally, the statements and push by the BRICs on the G20 platform (without South Africa at that time) yielded results. At the G20 Pittsburgh Summit in 2009, a settlement was reached with a time-frame to change the quotas in the IMF and the World Bank. Furthermore, it was agreed that the Financial Stability Forum would be transformed into Financial Stability Board with increasing membership.

#### 4.1.1.1.2. The IMF Reform

As previously mentioned, the BRICS countries have demanded better representation in the global economic governance. To this end, they took a unified position at the G20 platform for higher voting shares in the IMF and the World Bank. In the early 2009, the IMF<sup>94</sup> announcement of bond issue was followed by China's \$50 billion and Russia's, Brazil's and India's each \$10 billion pledges (Armijo & Roberts, 2014). In 2010, a quota reform was approved to shift about 6.2% of total voting rights to emerging and developing countries (EMDCs).<sup>95</sup> Voting rights of the BRICS together increased by 3.1% (Sidiropoulos, Prinsloo, Mpungose, & Grobbelaar, 2018), while China's share increased the most. It is now ranked as the third largest shareholder because of the increase from 3.8% to 6% (The BRICS Post, 2016). As a result of the quota reform, China, India, Russia and Brazil are now among the 10 largest members of the IMF. However, with the quota reform, South African voting share was reduced. Since the shift was not completely from the developed countries to developing or emerging countries, this quota increase was at the expense of both some developed countries such as Canada and Germany, and the developing counterparts such as South Africa and Nigeria (Bond, 2018). Therefore, it can be argued that increase in the share of the four BRIC countries did not necessarily have positive consequences for South Africa and other developing countries.

As a matter of great complaint, quota reform finally became effective in 2016. It took the US Congress five consecutive years to pass authorizing legislation, proving how stagnant the implementation of the reform was. However, within this process, the BRICS countries remained quite determined in their reform calls. They put remarkable effort to increase their

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<sup>94</sup> According to the IMF regulations, quota distributions are periodically reviewed once in every five years. The 15<sup>th</sup> review of quota reform was set to be finalized by the fall of 2019, at the latest.

<sup>95</sup> It should be added that even before the first BRICS stand-alone dialogue, the former IMF quota share adjustment had been agreed in 2008, because of the increases in shares of Brazil, China and India. However, voting powers of South Africa and Russia were reduced. And those changes were put into force in 2011.

voting share. When they secondly committed to contribute to the IMF resources in 2012 at the G20 summit in Los Cabos<sup>96</sup>, they did not refrain from stating that

*‘These new contributions are being made in anticipation that all the reforms agreed upon in 2010 will be fully implemented in a timely manner, including a comprehensive reform of voting power and reform of quota shares ‘ is important’ (RT, 2012).*

This statement shows that their commitment was explicitly on a reciprocal basis.

In addition to the abovementioned points, aggregate voting share of the BRICS in the IMF, 14.13%, remained under the 15% threshold that is required to veto any decision. While the overall contribution of member countries in global GDP is more than 20% currently, the countries are still underrepresented with that voting share in the IMF. The US still holds the veto power with 16.5 % over the key decisions, requiring 70% to 85% of super majority like those on an increase in the member’s quota, which proves limited concession given by the US after quota reform. Quota formula, which is based on GDP share (%50), openness (30%), variability (15%) and reserves (5%), was agreed in 2008 (IMF, 2019c). The BRICS countries are advocates of new quota formula based more on the individual shares in the global GDP (‘BRICS Countries Support’ , 2018).

The IMF Executive Board is also a matter of opposition for the BRICS. They have pushed for the rebalancing of representation in the Executive Board. Appointment in the Executive Board was reformed in 2010 with ‘Amendment on Voice and Participation’, which came into force in 2011, and strengthened the representation of the BRICS. However, the BRICS countries did not find this satisfactory. Although it is currently composed of 24 directors, only eight of them represent an individual country, the rest represents heterogeneous group of countries. Among the BRICS, only Russia and China have individual seats. Their demand were stated at the 8<sup>th</sup> Summit as:

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<sup>96</sup> In April 2012, Russia revealed that the country would contribute with \$10 billion to the IMF, and the other BRICS countries followed Russia during the G20 Summit in Los Cabos, when they disclosed that they would contribute to the IMF resources. While Brazil and India committed to contribute \$10 billion individually, China and South Africa committed to contribute \$43 billion and \$2 billion, respectively.

*'We call for the advanced European economies to meet their commitment to cede two chairs on the Executive Board of the IMF. The reform of the IMF should strengthen the voice and representation of the poorest members of the IMF, including Sub-Saharan Africa' (Goa Declaration, 2016).*

However, the BRICS leaders could not get unified to support the push of South Africa for a third chair within the executive board.

Furthermore, calls for diversification of reserve currencies in the IMF basket, and the inclusion of the Chinese Renminbi have also been on the agenda of BRICS countries (BRICS Goa, 2016). Even though the Renminbi was included in the reserve basket of the IMF in 2015, it is a minor and symbolic contribution with 10.92%, and the domination of the US dollar still shapes the global financial system.

The state of leadership positions of the IMF is also controversial for emerging and developing states in that the IMF leader has traditionally been a European. It is a significant point in the sense that the leadership position comes with privileges such as informal influence. At the G20 meeting in March 2009, and at the BRIC Yekaterinburg Summit in 2009, the BRIC officials stated that the directors of both institutions should be selected in a merit-based system, and have continued their criticism to date. However, following the resignation of Dominique Strauss Khan in 2011, the BRICS could not unite over a candidate for the IMF. Eventually once more, a European- Christine Lagarde – has become the Managing Director. Furthermore, Lagarde was elected to a second term in 2015. This clearly shows that the BRICS failed to decide jointly on their common candidate. The only gain was a more competitive election process than before (Armijo & Roberts, 2014).

#### 4.1.1.1.3. The World Bank Reform

As in the case of the IMF, representation has always been a crucial problem in the World Bank, which is based on weighted voting, since it directly affects policy outputs. As stated earlier, the settlement reached at the G20 Pittsburgh Summit included World Bank quota

reform as well. An increase with about 3.13% in the share of ‘Developing and Transition Countries’ was set in the World Bank.<sup>97</sup> This shift from over-represented to under-represented states brought the latter to 47.19 %. China got the most increase among other members from 2.78% to 4.42%, which positioned it as the third largest shareholder. While voting power of China, India, and Brazil have increased, the shares of South Africa and Russia were diminished since they had been regarded over-represented. As in the case of the IMF, number of other developing countries such as Nigeria and Algeria and some developed countries such as Germany, Japan and the UK lost some points in their shares. It should be stated that Developing and Transition Countries category by IMF is misleading since it includes high income countries as well according to Bank’s categorization. This resulted in an increase in the share of some high income countries as well such as South Korea and Singapore (Horton, 2010).<sup>98</sup>

The election of directors of the World Bank is also controversial in that an American has been traditionally elected as the leader. As stated above for the IMF, since as early as 2009, criticism has been directed regarding the leadership positions in the global financial institutions. In the case of election of the World Bank leader in 2012, the BRICS only stated that they consider a president from the developing world. However, the group failed to coordinate their choices on the Nigerian or on the Colombian candidates, who were strong candidates from the developing world. In the end, an American, Jim Yong Kim, as the third candidate was elected. As in the case of the IMF in 2011, the group could not exercise collective influence in the elections.

While the discontent with the underrepresentation of developing and emerging countries- making up about 85% of global population- and with nationality-based appointment of the

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<sup>97</sup> Even though World Bank is generally used, here The International Bank for Reconstruction and Development (IBRD) arm of the World Bank is referred to.

<sup>98</sup> The problem with the categorization is also the case for International Development Association (IDA) and the International Financial Corporation (IFC) arms of the Bank, whose voting shares were also arranged. More detailed investigation can be found in Horton (2010).

candidates have been increasing, the Bank has also been losing its relevancy in the face of proliferation of regional and multilateral development banks as well as bilateral lending. Therefore, it is a necessity that its legitimacy with adequate reforms are restored.

Issues set forth above reveal significant findings regarding the BRICS influence and group dynamics. First of all, in spite of the implementation both in the IMF and the World Bank, voice reforms remained symbolic and limited, and it still occupies the BRICS agenda as lately seen in the 2018 Johannesburg Summit declaration. There seems to be a gap between their willingness and the outcomes. Besides, they could not unite to support a candidate for the director positions in both institutions. These show that that they have not reached to a high level of cohesion at all issues.

#### 4.1.1.2. The New Development Bank

The NDB and the CRA as the inter-state institutions with economic and financial authority are the most concrete and resonant achievements of the group, proving that the group is determined to make a change in global economic governance in addition to the Bretton Woods Institutions.

The NDB is an important initiative of financing infrastructure, which is still a salient challenge for the developing world. This institution building in parallel to established institutions, in this case the World Bank, is an ‘operational model of multi-polarity’ as Chaturvedi and Saha (2017, p.171) describe. The idea of a brand new multilateral bank emerged as ‘*exit options*’ (Hurrell 2018, p.90) at the 4<sup>th</sup> BRICS Summit for ‘...*mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries...*’ (BRICS New Delhi, art. 13). At their 5<sup>th</sup> BRICS Summit, the establishment of the NDB and its shared purpose were agreed in principle (BRICS Durban, 2013). And finally, agreement was signed at the 6<sup>th</sup> BRICS Summit in Fortaleza, Brazil in 2014, and entered into force during the 7<sup>th</sup> BRICS summit in Ufa, Russia in 2015.

As can be seen, establishment process was protracted, stretching over two years as an indicator of tough negotiators, particularly India and China, within the group (Stuenkel, 2014). In order to strike the right balance on operational details, and to draw a fairer picture, headquarter was established in Shanghai, China, and African Regional Center was settled in Johannesburg, South Africa. An Indian, K.V. Kamath, was elected as the president of the bank for the first six-year period. A Russian was elected for the Board of Governors Chair, and a Brazilian was elected for the Board of Directors Chair. They have found a middle ground so far, due to their shared interest to establish this bank. The answers to how the lending quality, pattern and scale will take place and how it will be perceived by the members, other commercial and bilateral institutions, non-member future borrowers are determinative of their success (Dixon, 2015).

Members do not define and portray the bank as a substitute to the existing global financial bodies. Rather, the purpose of the members to establish a development bank was officially stated as '*...to complement the existing efforts of multilateral and regional financial institutions for global growth and development.*' (NDB 2014: Chapter 1 Article 2). Motivation behind the bank was related to how global finance is governed. It is argued that there is an increasing difficulty for developing countries to access infrastructure finance. They believe that funding is available from the World Bank as the primary source for emerging countries, multilateral development banks, state budgets and commercial budgets to some extent. However, it has two shortcomings: Lately, the World Bank lending is not mainly towards infrastructure and towards emerging and developing countries. Furthermore, more importantly, it has been based on conditionality (Chin, 2014). Unconditional lending in the NDB stands as the distinctive feature, which means alternative finance for development projects without macroeconomic policy prescriptions imposed on developing countries. In the NDB General Strategy 2017–2021, it was clearly stated that '*NDB is a public bank focused on development, and will not interfere in the political affairs of member countries*' (NDB, 2017a).



In fact, exigency of increase in infrastructure investment was discussed at the G20 Seoul Summit in 2010 but remained inconclusive, triggering the BRICS to take concrete steps (Chin, 2014). According to the BRICS members, these needs for long-term financing to fund infrastructure investments should be met for sustainable growth and development through their '*...more productive use of global financial resources...*' (BRICS Durban, 2013).

It was agreed that the NDB would have authorized capital of US\$100 billion and that each founding members would contribute an equal share, US\$10 billion, of the US\$50 billion worth initial subscribed capital.<sup>99</sup> By avoiding the power hierarchy as that of the World Bank, it is based on the belief that equal share of 20% would bring equal voting rights, and hence, equal influence. This decision-making structure is obviously different from that of the Bretton Woods institutions. Non-member countries and multilateral banks are also allowed to invest a share in the NDB on the condition that the BRICS members keep 55% combined share.

The NDB has provided funds through the issue of bonds denominated in the US dollar and Yuan so far. Debut bond was issued in 2016 in local currency amounting to 3 billion Yuan based on an AAA credit rating in China (Yiyao, 2016). However, in order to be distinguished from other financial institutions, the Bank needs to be complemented with the BRICS rating agency, for which an expert group has already been working, and should fund high-grade projects through channels with less bureaucratic complexities but with full transparency (Youming, 2018). Lending in local currency is also an important attribute of the Bank. In addition to the US denominated bonds, local currency bonds are also enabled, albeit remained limited so far, to use for borrowers to avoid foreign exchange risks.

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<sup>99</sup> One fifth of US\$50 billion is paid-in capital, and the remaining is callable capital. All of the members contributed their paid-in capital proving their strong commitment to the Bank.

The Bank started lending in 2016. 39 projects have been approved so far with an emphasis on renewable energy (NDB, 2019). To date, those funding has been diverted to projects in the BRICS countries. However, as far as planned, funding will be extended to other countries, and to the projects of water management and agriculture soon. It should be added that the quality of the projects are controversial since the members are not sufficiently interested in post-funding process due to the non-interference principle they embrace. For example, Bond (2018) points out that the bank funds low-quality projects that do not meet environmental standards. The criticism is not limited to environmental issues; social issues like human rights are also matter of debate (Bradlow, 2017). It can be claimed that the BRICS should work on this issue and secure the legitimacy of the Bank.

Since the BRICS countries are leaders of their regions, they would benefit if their region develops by means of development projects founded with the NDB. At this point, an important initiative is the establishment of the NDB Africa Regional Centre (ARC) in 2017, to contribute to the development agenda in South Africa and across the continent. The NBD can finance projects in support of Programme for Infrastructure Development in Africa (PIDA). McKinley (2018) claims that if the BRICS take on the mission to boost international coordination on infrastructure financing in other emerging countries as well, projected growth in GDP per capita in the BRICS for the period 2023-2030 would rise from 4.5% to 5.1%. For the same period, GDP per capita for other emerging economies and for the world as a whole would rise from 2.8% to 3.1% and 2.5% to 2.8%, respectively. This seems promising for global public good.

Even though the NDB loans given without conditionality are believed to change the landscape of the development finance, it should not be regarded as a counterbalance to the World Bank that connotes a zero-sum game. It has gone into a partnership with multilateral and regional development banks including the World Bank as well as other financial and non-financial institutions, national development banks and commercial banks, which proves that the NDB was designed as non-threatening to actively take part in the existing global financial governance. Both initiatives were welcomed by the Managing Director of

the IMF, Christine Lagarde, and by President of the World Bank, Jim Yong Kim. This initiative opens up a new realm of mutual learning between these institutions. The NDB is a platform for the BRICS to share their development experiences, while introducing their own concepts and discourses (Carey & Li, 2016).

#### 4.1.1.3. The Contingent Reserve Arrangement

Along with the NDB, the Contingent Reserve Arrangement (CRA) manifests that financial realm comes into prominence as one of the most promising areas of activity for the BRICS. They are the essentials of the *process of institutional densification* (Ramos, Garcia, Pautasso, & Rodrigues, 2018, p.2).

The CRA is a dollar-denominated reserve fund, with an initial size of US\$ 100 billion to provide emergency lending for countries in actual or potential short-term liquidity crisis, and hence, to improve financial stability.<sup>100</sup> It is expected to reinforce global financial safety since its operational area is designed beyond member countries.

The seeds of the CRA was sowed so as to '*complement existing international arrangements*' when the BRICS Finance Ministers and Central Bank Governors met on the sidelines of the G20 in Los Cabos in 2012 (BRICS Durban, 2013). The final agreement was reached at the 6<sup>th</sup> Summit in Fortaleza in 2014, and the Treaty for the establishment of the CRA for BRICS was signed (BRICS Fortaleza, 2014). The CRA became operational in 2016 as declared by the Indian Finance Minister Arun Jaitley (The Indian Express, 2016). Individual commitments of member countries to that US\$100 billion amounted reserve pool was decided as follows: China, Brazil, Russia, India, and South Africa with US\$ 41 billion, US\$ 18 billion, US\$ 18 billion, US\$ 18 billion and finally, US\$ 5 billion, respectively (BRICS, 2014: Art 2). 5% of total voting rights is divided among members

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<sup>100</sup> One of the driving force behind this process was to curb the negative effect resulted from decreased Quantitative Easing provided by the US as stated above (Hou, Keane, & Te Velde, 2014).

evenly. However, the rest 95% is distributed according to individual contributions. South Africa holds 5.75% of voting rights, while Brazil, Russia and India equally hold 18.10%, and China is the leading country with 39.95% voting share. Therefore, it can be stated that voting rights reflect the contributions. However, no single party is given a veto power.

In application to this reserve, certain conditions need to be met. In order to operationalize currency swaps<sup>101</sup> provided by the CRA, requesting parties should apply through their central banks. There is a key provision in the Treaty of the CRA that requires formal linkages to the IMF. It is the Article 5, which stipulates that in order to make more than 30% of the requested portion available, applying country has to sign an agreement with an IMF surveillance programme, which is rife with conditionality (BRICS, 2014: Art 5).

Just like the NDB is sometimes seen as a deviation from the World Bank, the CRA is also considered as an alternative financial structure to the IMF by some researchers. However, there are a number of distinctions between these institutions, the CRA and the IMF, regarding the operational structure.<sup>102</sup> The CRA does not have its own staff, it does not have a permanent headquarter, and a presidency, either. Its objectives are not as long-termed and comprehensive as those of the IMF, whose function has evolved from providing short-term liquidity to managing the global economy. While the CRA aims to complement existing institutions to strengthen global financial safety net (Preamble of CRA), the IMF's objectives include international monetary cooperation, increase in international trade, promotion of employment and so on (IMF Articles of Agreement, 2016: art.1-2). In order to ensure functional independence from the IMF and to have a substantive effect on global financial architecture, the CRA needs to ensure macroeconomic monitoring. Its 100 billion

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<sup>101</sup> This is the exchange of the requesting party's currency for US dollars.

<sup>102</sup> More detailed analysis regarding the structural differences can be found in Würdeman's (2018) work.

lending capacity is quite limited compared to that of the IMF.<sup>103</sup> Moreover, in addition to complementarity and legal link to the IMF, US dollar denominated lending and repayment under the CRA make those doubts unjustifiable, at least for now. All demonstrate that the CRA is currently not a counterweight to the IMF. However, it should also be added that the CRA is not the sole initiative by emerging powers for liquidity financing. There are other monetary multilateral arrangements like the Asian Chiang Mai Initiative (CMI) and bilateral arrangements between national central banks. Duran (2018) considers those initiatives as a whole and highlights that they represent an institutional fragmentation and complexity at the global level multilateralism. Success of the CRA as well as the NDB will be determinative for the overall capacity of the BRICS to influence global governance (Nayyar, 2016).

In addition to working within the Bretton Woods system to have a greater voice for better representation, the BRICS group also works outside of this system by initiating new multilateral parallel institutions. Frustration stemming from non-materialization of the IMF quota reform for years triggered the BRICS countries to create those institutions outside of the Bretton Woods architecture, as alternative financial options for developing countries. However, those two institutions are not expected to replace the existing institutions, when their structures and capacities are considered. Rather, they are expected to complement the existing one and exist parallelly.

Even though the 2008-2009 global crisis ignited the debate on the neoliberal capitalist paradigm, the BRICS does not seem to cause a 'paradigm shift' like in the Kuhn's (1970) notion at this stage. So far, they have not displayed any attempt or statement in their communiqués that refute their voluntary obedience to the existing rules and norms of global governance. When the global governance reform and establishment of parallel institutions

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<sup>103</sup> The IMF gets money from quota subscriptions by member countries, from multilateral borrowing through New Arrangements to Borrow (NAB), and from bilateral borrowing arrangements. Bilateral and multilateral borrowings contribute temporarily to the quota resources.

are considered, what they oppose is not the foundation of the system; rather its practices. It can be concluded that the BRICS countries demand more inclusive multipolar order, while they want to see themselves as legitimately included within the same order. Freire (2017, 191) describes this as a tension between the dynamics of socialization and resistance. As Kahler (2013, p.716) describes them as *'moderate reformers at best'*, the BRICS has not proposed an alternative model to neoliberalism yet. In a similar vein, Roberts, Armijo and Katada (2017: 181) claim that the BRICS can be only regarded as *'moderately revisionist'* considering what they have done so far.

#### 4.1.1.4. The BRICS within the WTO

Even though the stances of the BRICS members in the WTO<sup>104</sup> is an encompassing issue, requiring a discussion at length in an individual study, the extent that the BRICS amplify their collective voice in multilateral trade regime under the WTO is important to mention. Given rising protectionism and unilateralism in world trade, the BRICS need liberal multilateral institutions like the WTO to secure the stability of the globalized economic order that has lifted them up so far. This reinforces the arguments of some scholars such as Bond (2018), who claims that multipolarity created by emerging powers like the BRICS keeps the nature of global governance neoliberal due to their economic preferences. In this respect, the BRICS cooperation cannot be assessed solely based on reformist rhetoric without taking into account the national interests.

From the very first Summit onwards, the BRICS have always reiterated the importance of the multilateral trade system and their commitment to the WTO principles (Yi, 2018). However, it does not necessarily mean that they always prefer multilateralism over bilateral and regional agreements. They rather see them complementary to each other as stated in their Summit communiqué (BRICS Goa, 2016).

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<sup>104</sup> Since the drivers of their commercial structure are different than one another, they sometimes have to take different stances at the WTO. Comparative analysis of their trade policies is an exercise beyond the scope of this study.

The BRICS countries have reinforced their political presence within multilateral trade regime by being active players both in diplomatic–juridical pillar and their political–negotiating pillar of the WTO (Thorstensen & Oliveira, 2014). Even though they could not have a completely unified position on negotiations due to their differing sector competencies and export interest, they managed to defend the interests of the developing world during the Doha Round. Their activeness can be observed in various negotiation areas such as agriculture, anti-dumping, regional trade agreements and intellectual property. The decision of the BRICS trade ministers on common principles in the WTO negotiations was an important development, but that decision has yet to be actualized (Brütsch and Papa, 2013).

When the WTO is considered, which has been based on one state-one vote decision-making, it is seen that there is more equality in terms of representation of emerging and developing countries. However, within the inner circles of trade negotiations, underrepresentation of emerging countries is evident. This was eliminated to a certain extent when Brazil and India entered into the core ‘Quad’<sup>105</sup> group of the WTO, which had been previously dominated by the US, the EU, Japan, and Canada. This took place as the replacement of the membership of Japan and Canada with those of Brazil and India, and turning into the ‘New Quad’.

While the emerging powers, particularly Brazil, South Africa, India and China, became critical actors holding power of opposition to adverse proposals during the Doha negotiations, this resulted in a protracted process, and finally, paralysis of the Round. This shows how powerful the group of countries, including the BRICS, has become in the

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<sup>105</sup> Quad is the core negotiation group of the WTO, actively used by selected members to determine the scope of the rounds, and to shape the agenda in advance during pre-negotiation stage. Especially during Tokyo and Uruguay Rounds, it was proved that it is a powerful coalition (Drahos, 2003). Creation of New Quad was underpinned by the G20 Agriculture, which was created in 2003 by Brazil, India and China as one of the first initiatives of coordination to reject propositions favoring subsidies, tariffs and quotas by the EU and the US about agriculture (Thorstensen and Oliveira, 2014).

multilateral trade regime. Even though it culminated in dysfunction of the WTO and fragmentation as well as many regional trade agreements, this can be considered as a principal achievement. Additionally, the BRICS has been an active participant of the WTO Dispute Settlement Mechanism (DSM), proving the importance attached to multilateralism in trade regime by the BRICS. Brazil, Russia, India, and China have participated in the DSM as complainant 33, 7, 24, and 20 times, respectively, while South Africa has never participated as complainant. Apparently, Brazil stands as the most active global trade negotiator among the BRICS (WTO, 2019a).

In the midst of a functioning problem of the WTO, the future of the management of global trade has become a matter of attention. It is also addressed by the Bretton Woods trio, namely, the IMF, the World Bank and the WTO, in a policy paper entitled 'Reinvigorating Trade and Inclusive Growth', which has been issued in the late 2018. It can be inferred from the paper that reaching an agreement by all parties is problematic to the WTO negotiations. Hence, flexibility is prioritized over the underpinning principle of consensus-based multilateralism. This approach may make things harder for developing and emerging states in that it may end up with fragmentation into several clubs where the dominant powers have greater weight. According to a communiqué that the BRICS leaders released on the sidelines of the G20, they appealed the improvement of the WTO towards more inclusiveness and transparency by protecting its rules-based multilateral character (BRICS, 2018). The BRICS strongly oppose recent unilateralist steps, especially taken by the US. This is why, one of the problems, to which the BRICS approach with urgency, is the appointment of new judges for the vacancies in the Appellate Body<sup>106</sup> of the Dispute Settlement Body blocked by the US currently (BRICS Johannesburg, 2018).

#### 4.1.1.5. Reform of the UNSC

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<sup>106</sup> It is a body composed of judges who consider the cases coming from dispute settlement panels.



Although economic cooperation is fundamental to the BRICS, security cooperation is crucial as well. It is important to touch upon the BRICS stance on the UNSC reform to evaluate the strength of their overall cooperation. From the very first to the latest Summit declaration, the BRICS countries have uniformly showed how concerned they were about any kind of global security issues, and stressed the importance of the UN as the core governing body to address them. One can see the emphasis of multilateralism and rule-based global order within the security area as well. However, the BRICS countries do not have a unified position on the broadening representation in the UNSC, which may contribute to its democratization.

Russia and China already have permanent chairs in the UNSC. Brazil and India fiercely believe that the current power distribution among countries makes it imperative to reform the composition of the UNSC. Inclusion as a permanent member requires the existence of many criteria such as population, GDP, political system, territory, past contributions to the UN, particularly in peacekeeping, and so on. When they are considered, Brazil and India are regarded as worthy partners and are assessed for seats at the table as permanent membership. Both India and Brazil are well-functioning democratic countries. They are within the world's top ten biggest economies. India is the second, and Brazil is the fifth populous country in the world (World Bank, 2019v). In terms of contributions, Brazil and India are the key players in the Council, and since 1946, they have been served as non-permanent members 10 times and 7 times, respectively. This frequency does not apply to South Africa with only 3 times membership (The UNSC, 2019).<sup>107</sup> Brazil is the 8<sup>th</sup> and India is the 20<sup>th</sup> contributors to the UN budget for the year 2019 (UNGA, 2019). Peacekeeping has also been a matter of priority for the BRICS countries to the extent that it has been recently decided that peacekeeping would be addressed under a special BRICS working group (BRICS Johannesburg, 2018). Some of the UN peacekeeping contribution

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<sup>107</sup> All the BRICS members were simultaneously on the UNSC table in 2011, and in 2012 without Brazil. They presented high level of voting coincidence as seen on the draft resolution on Syrian crisis, and their opposition to the international enforcement of a no-fly zone over Libya. In the latter case, Brazil, India, China and Russia abstained, while South Africa voted in favor of the resolution.

of the members is quite noteworthy. Within the ranking<sup>108</sup>, India, China and South Africa stand quite high with 4<sup>th</sup>, 10<sup>th</sup>, and 17<sup>th</sup> places, respectively. Those factors strengthen the argument that the UNSC should give seat to India and Brazil as permanent members.

When it comes to intra-BRICS cooperation on this issue, it can be argued that it is a bit murky. Even though member countries are constantly reiterating their call for reform of the UNSC in their joint statements in similar phrases, there is no pressing consensus, additional statement, policy formulation or proposition of initiatives yet. Although it is stated that the roles of Brazil, South Africa and India should be increased, there lacks an open statement for a permanent seat for them at the Council. Regarding the UNSC reform, the level of cooperation is lower compared to the efforts in financial governance. This is why it is commonly argued that both China and Russia are intentionally reluctant to support Brazil, India and South Africa in their aspiration to reform the UN system. In fact, this confirms the argument of Brüttsch and Papa (2013), who state that the BRICS is a soft reformer because of the fact that the group is currently at a coalition stage, and has not been able to reach a community stage yet.

#### **4.1.2. Promising Areas for Further Cooperation**

The BRICS countries have to gain ground in their own development agendas to get rid of self-positioning as developing country, and to be able to have high profile in global governance. To this end, they can utilize their cooperation potential to work on some pressing problems, which demand effective and shared solutions with the inclusion of new players within global governance. The BRICS countries have potential to make meaningful contribution to those solutions with a result-oriented approach.

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<sup>108</sup> Ranking of contributions by country is available at: <https://peacekeeping.un.org/en/troop-and-police-contributors> .

There are a number of cooperation areas within the group, which are put in their outward-looking agenda, proving the role of responsible players that they cast for themselves. Contributing to global public good in sustainable development, environmental problems and technology may protect the BRICS countries from the label of ‘irresponsible stakeholders’ (Patrick, 2010). Therefore, they have to manage this cooperation process properly for the achievement (Stuenkel, 2016a).

#### 4.1.2.1. Sustainable Development

The 2030 Agenda for Sustainable Development <sup>109</sup> is an important innovation of global governance and one of the most promising cooperation areas that requires two-pronged efforts by the BRICS to implement it both for their own sustainable growth with internal improvements, and for global public good with external engagement. The BRICS countries still lag behind in terms of many social issues such as income inequality, gender and ethnic disparities, healthcare inequalities, education gaps, labor force inequalities and so on (Ivins, 2013). According to a report (Sachs, Schmidt-Traub, Kroll, & Lafortune, 2018 ) prepared by the UN Sustainable Development Solutions Network and Bertelsmann Stiftung to measure progress of countries towards SDGs, Brazil was ranked 56<sup>th</sup>, Russia 63<sup>rd</sup>, India 112<sup>th</sup>, China 54<sup>th</sup>, and South Africa 107<sup>th</sup> out of 156 countries. This shows that the BRICS have long way to go in their sustainable development path.

Any substantial improvement in those countries will have direct influences worldwide, considering their huge populations. For instance, while 33% of the world population was living below the \$1.25 Poverty Line in 2000, that rate was dropped to %15 in 2013, and it is claimed that increasing growth rates in populous India and China contributed much to

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<sup>109</sup> Global Sustainable Development agenda was born at the 1992 Earth Summit. Its current reflection, namely, the 2030 Agenda for Sustainable Development and 17 Sustainable Development Goals, including 169 targets for the period of 2016-2030 was accepted during the UN Summit on Sustainable Development in September 2015. Information about the goals and progress that has been achieved is available at: <https://sustainabledevelopment.un.org/> .

this global poverty headcount reduction (Jayadev, 2018). As can be seen from their official attention, sustainable development has always been a major concern since the beginning of the formation of the group. In their Ufa Summit Declaration in July 2015, the BRICS stated their future commitment to implementation of the post-2015 Agenda before it was officially formulated in September 2015 at a special UN Summit. While stating their expectations from the post-2015 agenda, they underscored some points as '*solidarity of all parties*', prioritizing '*eradication of poverty*' as an '*overarching objective*', and most importantly working under '*single framework*' while respecting '*differing national circumstances*' (BRICS Ufa, 2015). In the next Summit held in Goa in 2016, previous commitments and expectations were reiterated, and quite importantly, the guiding principle of Common But Differentiated Responsibilities (CBDR)<sup>110</sup> was appreciated (BRICS Goa, 2016).

The BRICS is believed to make meaningful contributions to realization of the SDGs. They have different financial, medical, educational, social and economic backgrounds, and can share technical expertise with each other and with other developing countries to transfer of ideas and know-how. For instance, agricultural research systems of the BRICS countries are considered way advanced to be brought into use to alleviate poverty in world rural areas, where agriculture is key to sustained growth (FAO, 2017). Likewise, being aware of their potential to share their experiences in the area of education, they stated that this interaction would contribute education-related SDGs (BRICS Xiamen, 2017). It is expected that new insights can be provided with the BRICS-UNESCO cooperation started in 2014. Furthermore, the NDB's generous funding funneled to renewable energy and infrastructure projects, albeit only within the BRICS so far, and NDB's cooperation with other Multilateral Development Banks are expected to have positive effect on SDG 7 (on energy) and SDG 9 (on infrastructure) (UNA-UK, 2017). Since the BRICS shoulder responsibility by speaking on behalf of the whole developing world, it has to make substantial contributions to sustainable development. To this end, the NDB stands as the main

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<sup>110</sup> According to this principle, all countries are expected to fulfill their responsibilities under a universal framework. However, socio-economic differences and country-specific circumstances should be taken into consideration while implementing the goals.

mechanism to be used to finance sustainable development projects. This is an opportunity for the BRICS to be recognized as an efficient and innovative player in development finance.

#### 4.1.2.2. Cooperation on Climate Change

As a subtheme of the SDGs, environmental sustainability is another cooperation area<sup>111</sup>, where the BRICS members should generate immediate and solid solutions for energy efficiency. The BRICS countries, as energy-intensive economies, together accounted for about 38 percent of global carbon emissions in 2014, which reveals that their bright economic performance is overly dependent on energy (Greenpeace, 2015). To exemplify, currently, China is the largest energy consumer in the world with 23.2% share (BP, 2019), and at the same time, it is the largest contributor to the global GDP growth (“China to remain”, 2018). However, the growing patterns of rapidly growing countries like China are now pushing to the environmental limits.

	Brazil	Russia	India	China	South Africa
Carbon dioxide Emissions per capita (tonnes)	2.6	11.9	1.7	7.5	9
Carbon dioxide emissions (kg per 2011 PPP \$ of GDP)	0.17	0.46	0.32	0.59	0.72
Renewable energy consumption (% of total final energy consumption)	43.8	3.3	36.0	12,4	17.2

<sup>111</sup> Environmental problems have been addressed under the United Nations Framework Convention on Climate Change (UNFCCC) since 1995.

Fossil fuel energy consumption (% of total energy consumption) 2010-2015	59.1	90.2	73.4	87.5	86.9
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Source: UNDP Human Development Indices and Indicators 2018 Statistical Update

Carbon-dioxide emissions and renewable energy consumptions are the main indicators for economic sustainability. The BRICS are heterogeneous regarding those issues. The rates depend on the level of sustainability of industrialization. Stabilizing global carbon emissions seems a hard task for some of the BRICS countries, and particularly for Russia as seen from the table. Another striking data in Table 3 is the state of Brazil in renewable energy consumption. While the country's energy demand is rapidly increasing, its energy sector enriched with biomass, hydropower, solar and wind stands one of the least carbon-intensive in the world (IEA, 2019) Brazil is the example of the arguments (Chang, Hu, & Chang, 2018) that the BRICS countries have been improving their technical efficiencies leading to positive changes in resource and energy efficiency.

Although climate change has been on the agenda of the members since the first Summit in 2009, the BRICS leaders more specifically expressed their concern about sustainability of fossil-fuels, and the need for an increasing utilization of renewable resources through technology and knowledge sharing in their Fourth Summit in 2012. Group signed 'Memorandum of Mutual Understanding in Energy Saving and Energy Efficiency' in 2015, and founded Working Group on Energy Efficiency and Improvement of Energy Efficiency. Within this Memorandum, energy efficiency cooperation is projected to be promoted through mutual capacity building, mobilization of investment towards energy efficient technologies and joint research (BRICS, 2015).

Emphasizing the importance of environmental protection, the BRICS leaders expressed their adherence to full implementation of Paris Climate Agreement, and stated that they would work on areas such as '*prevention of air and water pollution, waste management and biodiversity conservation*' (BRICS Xiamen, 2017:17). However, while all the BRICS

countries are signatory to the agreement, Russia has not ratified it yet. By committing the implementation of Paris Agreement to combat climate change, the member countries show that they are defenders of multilateralism in global climate governance.<sup>112</sup> The US withdrawal from Paris agreement may affect the BRICS countries by creating more room for them to play the leadership role (Downie & Williams, 2018). The BRICS Johannesburg Declaration reiterates the need for energy supply diversification including renewables, collaboration on biodiversity conservation, green financing, and energy affordability.

In a similar vein, environmental ministers expressed the need for ‘*sustainable use of rich biodiversity of BRICS countries*’ and expressed the necessity of a framework agreement on environmental cooperation during their last meeting in 2017 (BRICS, 2017a: 9). The New Development Bank is an important institution in this sense. So far, it undertakes a mission of supporting environmental and sustainable development, and it has projected six renewable energy projects within the BRICS countries. More green development projects are also on the way according to Bank officials.

In spite of being signatory to Kyoto Protocol<sup>113</sup> and Paris Agreement, in global climate governance, the BRICS countries have no common position on some issues, and they set different amount and time period for gas emission reduction targets, stemming from different national preferences and differing energy production and consumption levels (Rinaldi & Martuscelli, 2017). Besides, at that time, when Kyoto Protocol was signed, the BRICS were not united as a political group and they were not the largest emitters. It is also

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<sup>112</sup> According to this agreement, all countries agreed to work to keep the global temperature rise well below 2°C and to strive for 1.5°C. Even though the BRICS countries are committed to implement the Paris agreement, according to Climate Action Tracker (2019), the performances of the BRICS countries are poor in terms of reducing their emissions. While Russia has not ratified the agreement yet and its contribution is regarded as ‘critically insufficient’, contributions of China and South Africa are assessed ‘highly insufficient’. Differently, Brazil’s contribution is regarded as ‘insufficient’ and only India’s contribution is regarded as ‘2°C Compatible’.

<sup>113</sup> Although it was signed in 1997, it came into force in 2005. The protocol stipulates reduction in Greenhouse Gas Emission, and contentiously the US has never ratified the agreement to refrain from it.

significant that in some cases their cooperation is disrupted by Common but Differentiated Responsibility Principle when it is given as justification, which separates Brazil, South Africa, India and China bloc<sup>114</sup> from Russia since the latter does not support the principle at all (Gladun & Ahsan, 2016). Their continuing attitude of acting for their own interests reinforces Duggan's (2015) claims that even though they already have common self-identity as responsible emerging powers, they have not achieved a collective identity yet.

#### 4.1.2.3. Cooperation in Science, Technology and Innovation (STI)

With the aim of supporting political and economic relations between member countries and making contribution to the global sustainable development, five thematic areas was determined as *climate change and natural disaster mitigation, water resources and pollution treatment, geospatial technology and its applications, new and renewal energy, and energy efficiency, astronomy* (BRICS, 2014a).

Advancement in STI, as long-term driving force of economy, is inevitable for the BRICS countries not only to promote their positions in the global economy through increasing productivity and smart organizational methods but also to effectively deal with global economic, social and environmental challenges. In this way, the group could contribute to social progress of their societies, and thus, could make contributions to global public good. Both sustainable development, and more particularly, environmentally friendly development require innovative solutions. Thus, this can be considered as the most important cooperation area to be prioritized for the group.

Table 4. Innovation Related Indicators of the BRICS Countries					
	Brazil	Russia	India	China	South

<sup>114</sup> These countries presented active role on negotiation table in 2009 UN Convention on Climate Change Summit in Copenhagen in the post-Kyoto period towards Paris Climate Agreement and they were categorized as ad hoc BASIC group.



					Africa
High-tech exports (% of manufactured exports) 2006-2016	13,4%	10,7%	7,13%	25,7%	5,2%
High-technology exports (current US\$)(2016)	9,7 billion	6,6 billion	13,3 billion	496 billion	1,9 billion
R&D expenditure to GDP ( %)	0.8 <sub>(2014)</sub>	1.1 <sub>(2015)</sub>	0.7 <sub>(2014)</sub>	2.1 <sub>(2016)</sub>	0.8 <sub>(2014)</sub>
Global Competitiveness Ranking 2017-2018*	80/137	38/137	40/137	27/137	61/137
Global Innovation Ranking 2017**	69/127	45/127	60/127	22/127	57/127

Sources: \*World Economic Forum Global Competitiveness Index

\*\* World Intellectual Property Organization Global Innovation Index 2017

The BRICS members have made substantial progress in science, technology and innovation, albeit in different degrees due to structural disproportions as seen in their positions in global competitiveness and global innovation rankings. According to the 2017 BRICS Innovative Competitiveness Report (Xinli, Minrong, & Maoxing, 2017), annual spending in R&D from the BRICS countries account for 17 percent of the world's total. Moreover, it is stated that the group contributes 27% of scientific papers published around the world (Xinli, Minrong, & Maoxing, 2017). World average rate of high-tech exports in manufactured exports is 18%, showing that only China is above that rate. In rankings seen in the Table 4, it seems that except for China, the BRICS members lag still behind. In terms of R&D spending of GDP, BRICS countries are below the rate of the OECD average (2.3%) (OECD, 2019). Overall, China takes the lead in all of indicators.

Policy formulation of STI dates back to the 2009 Summit. By 2011, statements turned into action and Senior Official Meeting on STI was held in China. And in the 2011 Sanya Declaration, need for cooperation in STI was identified clearly. First Meeting of the Science, Technology and Innovation Ministers took place in 2014. In 2015, Memorandum of Understanding on Cooperation in STI between the Governments of the BRICS Countries was declared with the aim of drawing the framework for cooperation. Cooperation in this area is deemed essential to solve socio-economic challenges within the countries. Within this memorandum, main cooperation areas are listed, mechanisms and modalities are determined (BRICS, 2015b). The 2017-2020 Action Plan for Innovation Cooperation is the recent and broadest document in scope. Mechanisms and stages of cooperation is detailed. Exchange of practices, technologies and technical expertise, ensuring public-private and university-industry partnerships in joint programmes, initiating mega science programmes, increasing investment in STI, and resorting to the NDB and National Development Banks if needed, training professionals, creating networks of technoparks and talent pools including younger generations are the mechanisms to name but a few (BRICS, 2017b).

In order to obtain results from this cooperation, the BRICS should share their cumulative expertise to correct national shortcomings, mobilize their mass human resources, improve people-to-people dialogue through internships, scholarships and other ways of exchanges, and excellence areas of each country should be determined. The BRICS countries can transfer the technologies that they have developed to the other developing countries. For instance, agrarian technologies in Brazil, infrastructural technologies in China, and chemical technologies in India are believed to be quite contributory to the development path of many developing countries (Nayyar, 2016).

#### **4.2. LIMITATIONS TO FURTHER COOPERATION**

Although they have common and strong political goals, there are a number of limitations behind cooperation. Opinions of skeptics in the BRICS literature revolve around the differences in their development stages, cultures, ideologies, historical background,

political systems, regional strategies and political agendas. And they argue that due to lack of similarity, this group is just an artificial construct (Pant, 2016) or just a coincidence, where there is no coalitional cohesion among them (Thakur, 2014). Their differences in political systems are emphasized the most in this sense. For instance, Armijo (2007) claims that their differences are too major to evaluate them under a sole category and that different government structures, in other words, China's and Russia's authoritarian governance, make the group's cooperation harder on issues that necessitates soft influence such as human rights promotion. In this context, existence of the IBSA (India, Brazil, and South Africa)<sup>115</sup> also generates extensive debates. This interregional forum has different political character than the BRICS, and it is based on democratic values as officially stated (India MEA, 2018): *'The principles, norms and values underpinning the IBSA Dialogue Forum are participatory democracy, respect for human rights, the Rule of Law'*

Therefore, there is a group that already been established by the three democratic members of the BRICS, and they may prefer strengthening their ties within this group to enhance their profile in the international system. Furthermore, on IBSA platform, there is a strong consensus on expansion of permanent membership of the UN Security Council that cannot be seen in the BRICS. So far, these three countries seem to give more weight to the BRICS group over IBSA. However, things may change in the future.

Another important challenge is the domestic structural problems that the member countries have such as income gap, political instability, corruption, poor infrastructure and social services. Being occupied in domestic challenges and pursuing national interests may overshadow the BRICS cooperation (Tian, 2016). Moreover, as stated above, global financial and economic crisis had impact especially on Brazilian and Russian economies. This created imbalance in growth rates among the BRICS members. Recent economic slowdown and structural problems are disruptive factors for the macroeconomic policy coordination of the BRICS countries. Economic dominance of one or some of member

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<sup>115</sup> In other words, the IBSA Dialogue Forum. It was created by three democratic countries, India, South Africa and Brazil, in 2003 to coordinate their activities to promote South-South Cooperation.

countries, in this case, might be an obstacle in keeping their cooperation fair, democratic and horizontal.

Trade relations among the BRICS countries and the domination of China are also matters of contention. However, member countries have various trade partners beyond the BRICS counterparts, and only 4.9% of the members' total trade is composed of total intra-BRICS trade (Lifang, 2017). In a similar vein, intra-BRICS investment moderately accounts for 6% of the world's total outflow FDI (Nan, 2017). However, it is widely argued that there is a great potential to deepen trade relations.<sup>116</sup> For instance, by examining 14 different commodity sectors, Raghuramapatruni (2015) finds that further intensification of intra-BRICS trade is likely in the future, if they focus on complementary aspects of their trade relations within those sectors. Furthermore, the countries can turn the Trump's trade protectionism into an advantage by boosting intra-BRICS flow. However, some emphasize the unsurpassed economic weight of China within the group, whose domestic capacity is well ahead. It is argued that power imbalance between China and the other BRICS may become so wide that this may increase economic competitiveness, and hence limit cooperation. Chinese political and economic expansion is assessed to have critical role for the future of the group. Some even claim that the BRICS is an instrument for China to maximize its sphere of influence. Trade flows from China seems to dominate the intra-BRICS trade. China is standing as the largest trading partners of Brazil, Russia and South Africa (Goodrich & Qingqing, 2018). However, in return, China's major trade partners are

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<sup>116</sup> In fact, albeit still at a moderate level, bilateral trade relations has increased long-term economic interdependence between them. Intra-BRICS trade volume has increased 922% between 2002 and 2012 (Sharma, 2018). For instance, a conspicuous natural gas deal was signed between Russia and China in 2014 that amounts to \$400 billion, and covers the next 30 years, which is a quite a long period of time. It was vital for China, seeking to make long-term supply contracts to meet its energy demand. Furthermore, trade between these two countries reached to almost \$50 billion in 2016 ('Russia Signs', 2014). Another example is arms trade between Russia and India, amounting to \$30 billion from 2004 to 2014, proving strong military relations (Schmidt & Friedrich, 2016). With regard to South Africa, increase in investment and trade ties, and in volume are the most important reasons why the government was so willing to become a member (Feldes, 2016). As another instance, India is heavily dependent on Chinese investments for its IT sector to be funded (Schmidt & Friedrich, 2016).

not the BRICS countries, they are industrialized countries. For instance, after a broad measurement of 255 sets of merchandise, Kocourek (2015) finds a shift within the BRICS countries from low-value added manufacturing to more technology-driven goods that takes place with the dominance of China at the expense of others in some merchandise units, such as chemical products and manufactured goods. Furthermore, China's currency manipulation has drastic effect on other BRICS members, and they ask for RMB appreciation. Export dependent Brazil, Russia and South Africa are adversely affected by China's currency devaluation, resulting in trade imbalances. These resulted in anti-dumping duties on Chinese goods by Brazil and India (Pant, 2013).

However, the 'China and the followers' argument can be considered as an exaggeration. Cooper (2017), convincingly, opposes to this argument, and highlights that it were Russia and Brazil, which were leading the formation process, and it was India, which was promoting the idea of alternative development financing into the agenda paving the way to the NDB.

As another example, relationship among the BRICS, South Africa and African continent may be a matter of contest. The BRICS have all become important actors in Africa not only through trade and investment flows but also through huge bulk of development aid, humanitarian assistance, technology exchange, people-to-people connections, scholarship provisions and so on. However, China is the most active BRICS member within the African continent (Deych, 2015). Its FDI stock in the continent has become remarkable after soared almost threefold in five years after 2010. China has been initiating numbers of massive overseas infrastructure projects including bridges, railways, buildings, and dam construction. Since the late 1950s, China has been building development partnership with many African countries, which is closer to South-South Cooperation model, that is, committed to development of 'partner country' and 'unconditional' (at least appeared so in official discourse) in character (Quadir, 2013). Chinese soft influence corresponds to its

economic assertiveness.<sup>117</sup> Even though all BRICS countries have their own African strategies, those of China seem predominant. This stands as a rivalry factor among members. More importantly, China's weight in Africa may undermine South Africa's self-positioning as a 'gateway' to Africa in the BRICS, since African countries seem no longer need any representative to open themselves up to the world (Hervieu, 2011).

Even though the group increases multilateral tendencies, there are some instances of unilateralism. China's unilateral initiatives are also regarded as controversial. For instance, China's BRICS-Plus model is interpreted by some views as a move to integrate its One Belt and One Road Initiative partners into BRICS and that kind of opportunity-seeking steps may increase the risk of fragmentation (Saran, 2017). It is also stated that the role of the NBD may be overshadowed by China's AIIB of which the UK, France and Germany have already become members ('France and Germany Join', 2015). Moreover, these two mega projects may make China to redirect its time and resources from the BRICS.

There are also some geopolitical tensions. Complex bilateral relations may hamper multilateral cooperation within the group. Sino-Indian relations, at this point, come into prominence as the most problematic issue due to historical and geopolitical reasons. Tension between them was reflected to the group several times as seen during the creation of the NDB and Doklam crisis. Furthermore, although, India is the key partner in the AIIB, it opposes One Belt, One Road Initiative that undermines its influence in South Asia. In 2016, India demanded Pakistan to be counted as a terrorist state. However, Russia and China refused to do so.

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<sup>117</sup> According to survey data gathered from 36 African Countries, 63% of respondents say that China positively influences their country and only 15 % says it has negative effects, mostly resulting from poor quality of Chinese products. Here, what is important is that Chinese investment in infrastructure and business development comes first with 32% when we look at the top 5 factors constituting positive image (Lekorwe, Chingwete, Okuru, & Samson, 2016).

Despite the abovementioned limitations to further cooperation, looking only at those differences runs the risk of assessing the group completely futile. These differences should be assessed alongside their achievements so far in order to understand their dynamics. Furthermore, what is gripping about the future of the BRICS is this coexistence of their differences and conflict areas and their cooperation so far.

## CONCLUSION

Globalization is always subject to be molded by its transformative forces. Due to the increasing interconnectedness, this process is composed of complex interactions among multiple centers of power and influence. Globalization needs an effective, legitimate, inclusive and democratic global governance to deal with the problems that it creates.

The practices, norms and rules that were created by Western states in the post-war period, and disseminated by Bretton Woods Institutions bind all states due to increasing integration. However, their implementation has created different outcomes for different states as can be seen in the structural adjustments. While creating norms and rules, and solving problems, emerging powers would like their rise to be recognized, and well accommodated in global economic governance institutions, whose representation structure favors the developed countries.

This demand got fiercer with the emphasis on stronger regulations after the 2008-2009 global financial and economic crisis that had undermined the legitimacy of global financial institutions further. Global crisis was instrumental to shed light on the importance of some countries in that they actively participated in post crisis discussions and policy coordination on multilateral platforms. When this legitimacy and the efficiency crisis in global governance combined with the growing multipolarity, a great deal of attention started to be paid on economic developments and foreign policy choices of emerging powers. Anti-globalization backlash by many developed countries, and importantly, the US after the global crisis made room for emerging powers to be more vocal, and assertive in their demands to reform global governance, and to be more zealous to shoulder the responsibility to solve global issues.

It is commonly argued that while Western-dominated globalization gives way to multipolar globalization with more powerful actors, this transition has created many dynamics such as



informality and fragmentation as exemplified with the G20. Being utilized by emerging states as an alternative platform, the G20 is more inclusive than the Bretton Woods institutions. Furthermore, some countries prefer to form bilateral relations, regional multilateral cooperations or cross-regional multilateral cooperations such as the BRICS. It is not easy to secure global multilateralism in a multipolar order, where varying interests of many powerful actors clash. In this sense, diplomatic activeness of groups of emerging countries such as the BRICS and the global repercussion of this cooperation becomes crucial.

As the most prominent category within the emerging countries, the BRICS have all integrated into the post-war world economic order, and they have also become active participants in the institutions of this order. Originating in an investment category proposed by a Western economist in 2001 based on the economic prospects of the BRIC countries, the BRICS (with the inclusion of South Africa) has gone beyond original identification and turned into a political-economic group, regardless of their different political and socio-economic structures, cultures and historical backgrounds and rivalries on economic and security issues.

It is important to note that the group is not only constructed materially but also symbolically. Both material and ideational factors determine their motives. To this end, the BRICS countries and other emerging powers should not be considered only as emerging economies, rather they should be regarded as emerging powers whose preferences, ideas and hence, influences to the global structure are shaped through inter-subjective nature of relations. In spite of their commonly admitted economic prospects, there is a wide discrepancy in terms of economic and social indicators among the BRICS, where there is China on the one side as an economic powerhouse, and South Africa, on the other with much lesser economic power, whose inclusion to the group was political to expand the group and make it completely global. Furthermore, the resilience that they showed after the 2008-2009 global economic and financial crisis is varying considerably. Moreover, they have different social problems with different degrees. The BRICS countries are not only influence-seekers based

on material capacities. They have also become soft power contenders. However, they have different tools, objectives and mechanisms in that realm as well.

In spite of these factors, they sustain their diplomatic activeness within this group, and broaden their agenda with the belief that they could play symbolic role at the global level. This belief has been reinforced through their annual Summits, forums, ministerial meetings, and all other gatherings at many levels. They believe that by representing like-minded outsiders, the group would have a global reach. The social role that they attribute to themselves is indicator of how they evaluate their own material assets. Furthermore, the countries individually believe that the group can be a platform to harmonize individual conflicting interests.

It can be claimed that the BRICS group has had considerable organizational achievements in their first decade. They managed to design a structure with all its levels and tools to build a deep and extensive cooperation, which are key to their development encompassing agriculture, financial relations, investment, trade, science and technology, health, education, culture, and many others. In spite of an absence of binding rules they have been able to build strong ties, and even establish two important institutions, namely, the NDB and the CRA. The BRICS dialogue can be described as a path from trust building to ambitious cooperation broadening, resulting in decennia endurance, which exceeds many predictions. As a multilateral platform, key strength of the group is downplaying their national differences and identifying and portraying themselves as a like-minded group. Areas where the BRICS is most converged have been receiving more coverage in the Summits. So far, the group has not brought up a serious issue that requires compromising individual interests. Future of the group's integration depends on members' logical assessment of opportunities and limitations. This can be made through broad communication network that has already been established and has been providing regular interaction built by the members. These features will eventually increase the efficiency of the group.

Reform of global economic governance has always been one of the primary objectives. The BRICS countries do not have an anti-globalist stance, seen from their official statements and their economic structures. While they do not deny the opportunities that globalized world order brings in, they also want it, with its institutions, to be more inclusive and equal that represents multipolar reality. This common objective was the most important motivation behind the first steps of institutionalization of this group. All of the BRICS countries are members of the G20, which has become the primary platform of economic coordination after the global crisis. The BRICS countries attribute great importance to the G20. However, as the initial years have passed after the global financial crisis, it has come under fire on many aspects. Unless it is more inclusive in membership, reflective of the agenda of the developing world and effective in the collective action, one cannot assume the BRICS as the active players on this platform. Even though the BRICS countries are present on that platform with responsible emerging powers identity, they have not found cohesion and created collective identity yet.

However, practically, the G20 has become a platform for the BRIC countries (without South African then) to call for changes in the balance of voting shares in the Bretton Woods Institutions. A persistent push in that direction gave results, and an agreement was reached on the quota reform in the IMF and the World Bank. However, the countries had to wait for the IMF quota reforms to be effective until 2016. This led to pessimism and complaint on the part of the BRICS countries. Furthermore, the quota increases in both institutions fell short of expectation since it did not cover all BRICS countries and developing states as explained previously. Besides, the aggregate BRICS share remained under the veto threshold, which is still enjoyed by the US.

Although the BRIC (without South Africa then) states made great effort and coordinated their policies in quota reforms in those institutions, they seriously failed during the elections of the presidents for both institutions. They could not unite over a candidate and support. And thus the election processes ended up with an American director for the World Bank and a European for the IMF, as has always been traditionally. This also shows us they

have not acquired a collective identity yet, which leads to high level group cohesion. Different stances of the group members in the UNSC reforms also prove that collective identity is still in formation process. Neither China nor Russia provides the necessary support for Brazil, India and South Africa in their goal of permanent membership within the UNSC.

The protracted reform process in the global financial institutions stated above was resulted in more fragmentation in global economic governance as illustrated in the examples of the BRICS NDB and CRA. They are the most tangible achievements of the group reached so far. Even though the BRICS countries mostly tend to work within the existing multilateral institutions as a strategic choice to advance the members' interests, they constituted these two alternative multilateral institutions. They were designed for the countries in need of infrastructure funding and short-term liquidity. Although they brought a breath of fresh air, they were not designed to replace the World Bank as well as the IMF, and they are not equal to those global multilateral institutions in terms of scope and capacity.

The countries seem to crucially make commitments on global public goods as can be observed from their ambitious, wide-ranging cooperation areas such as the SDGs, STI and environmental sustainability. These are initiatives to ensure economic growth and social progress both at home and abroad. These initiatives may also serve as means to strengthen their soft influence abroad by providing innovative solutions, alternative development concepts, and new knowledge-systems. However, the members have not generated high level of cohesion and taken tangible steps in those areas yet. Stronger bilateral economic relations among countries, which currently lack in trade and investment areas may bring in new dynamism to the group and contribute to the material base for their ideational motivations to work for global public good. It can be claimed that due to the growing interdependence in the globalized world and transboundary global problems, they will eventually be important stakeholders due to the fact that they hold a critical mass in the world demographically. Furthermore, for the BRICS, making a positive global impression is very vital, given the fact that they regard themselves as the voice from developing world and they have serious social problems at their homes. And hence, civil society should be strategically incor-

porated to the dialogue, by taking into account the demands of counter-BRICS civil society organization.

To conclude, over the last decade, the BRICS has managed to build a remarkable organizational structure, secured some reforms in global governance, created two institutions, and has raised awareness in the literature about many issues with the agenda they have created, the statements they have made, and initiatives they have taken. Therefore, the influence they exerted is undeniable. Along with the other emerging powers, their economic potentials have increased the arguments of multipolarity and their roles in the path towards multipolarity. It can be stated that the BRICS are not aggressive system challengers since the countries seem neither capable nor willing to overthrow the existing order although they seem so in how they are portrayed. In fact, they have refrained from direct confrontation with the IMF and the World Bank. They are aware of the fact that over-politicized and anti-Western BRICS will not help their interests. At their current nature of cooperation, level of cohesion and individual capacities, they moderately press for gradual reforms since they only want the existing global governance more inclusive, effective and democratic. The group has always praised the core role of the international institutions such as WTO in global trade, and the UN in global peace and security. To become more influential in their second decade of cooperation, while using their material capacities and providing some tangible solutions to their problems, they need to become a melting pot of values, ideas and strategies of member countries to secure higher level of cohesion and collective identity.

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MASTER'S THESIS ORIGINALITY REPORT

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Program: INTERNATIONAL RELATIONS

**ADVISOR APPROVAL**

APPROVED.

Assoc. Prof. Dr. İtir İMER

(Title, Name Surname, Signature)



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HACETTEPE ÜNİVERSİTESİ  
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ULUSLARARASI İLİŞKİLER ANABİLİM DALI BAŞKANLIĞI'NA

Tarih: 23/8/2019

Tez Başlığı : Küreselleşen Dünyada Artan Çok Kutupluluk: BRICS'in Ekonomi Politikası

Yukarıda başlığı gösterilen tez çalışmamın a) Kapak sayfası, b) Giriş, c) Ana bölümler ve d) Sonuç kısımlarından oluşan toplam 154 sayfalık kısmına ilişkin, 23/8/2019 tarihinde şahsım/tez danışmanım tarafından Turnitin adlı intihal tespit programından aşağıda işaretlenmiş filtrelemeler uygulanarak alınmış olan orijinallik raporuna göre, tezimin benzerlik oranı %8'dir.

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Gereğini saygılarımla arz ederim.

23/8/2019

Tarih ve İmza

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**DANIŞMAN ONAYI**

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Doç. Dr. İtir İMER

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APPENDIX-2



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Date: 21/08/2019

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**Name Surname:** Işıl Çavuş  
**Student No:** N13223577  
**Department:** International Relations  
**Program:** International Relations  
**Status:**  MA  Ph.D.  Combined MA/ Ph.D.

**ADVISER COMMENTS AND APPROVAL**

APPROVED.

Assoc. Prof. Dr. İtir İMER



**HACETTEPE ÜNİVERSİTESİ  
SOSYAL BİLİMLER ENSTİTÜSÜ  
TEZ ÇALIŞMASI ETİK KOMİSYON MUAFİYETİ FORMU**

**HACETTEPE ÜNİVERSİTESİ  
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ULUSLARARASI İLİŞKİLER ANABİLİM DALI BAŞKANLIĞI'NA**

Tarih: 21/08/2019

Tez Başlığı: Küreselleşen Dünyada Artan Çok Kutupluluk: BRICS'in Ekonomi Politikası

Yukarıda başlığı gösterilen tez çalışmam:

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Gereğini saygılarımla arz ederim.

21/08/2019

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