

## Opinion – The Expansion of BRICS: Challenges and Uncertainties

Written by William Daldegan

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# Opinion – The Expansion of BRICS: Challenges and Uncertainties

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WILLIAM DALDEGAN, AUG 29 2023

Argentina, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, and Iran were announced as new permanent members of BRICS. The announcement was accompanied by a promise to define criteria for future new memberships. The negotiations for expansion faced significant pressure from the Chinese, who advocated for a broader opening and encouraged the candidacy of dozens of countries. In contrast, Brazil and India resisted this movement and, along with South Africa, negotiated for a more assertive stance from Russia and China in favor of a broader reform in the UN, especially within the Security Council. However, this expansion raises uncertainties about the future of BRICS.

Twelve years after the first expansion with South Africa, and six years after the Chinese idea of expansion in 2017, which gained momentum in the last year, 2022, the decision to integrate six new members, each with diverse characteristics, maintained the group's operating logic: it depends on its members' perceptions of the international situation, preserves independence for individual strategies and initiatives, and makes no effort towards institutionalizing the group.

Brazil, Russia, India, China, and South Africa have been working over the years to establish joint positions on important issues in the international agenda through consensus. This includes a demand for more representative financial governance, which directly criticizes the quota and voting structure of the International Monetary Fund (IMF). Amid the Crimea crisis in 2014 and the recent conflict between Russia and Ukraine, these countries advocated for resolving the conflict through dialogue and did not support proposals for sanctions against the Russians. In response to the COVID-19 pandemic, despite the absence of uncoordinated actions, which many consider a strategic mistake, they utilized their bank, the New Development Bank (NDB), to provide emergency credit lines to address the effects of the health crisis.

The NDB is the prime example of the BRICS group's reach and vitality, reflecting their dissatisfaction with global financial governance without rivaling it. In an effort to complement existing lines of credit, the NDB approved 123 projects between 2016 and 2022, mobilizing over \$30 billion. It has an AA+ credit rating, largely due to China's rating, but despite advocating for project analysis agility, the same does not apply to the release of resources. The cooperative effort to establish the bank contrasts with the parallel strategies and initiatives that its members have been adopting in recent years. China stands out in this regard, as it has been promoting the Asian Infrastructure Investment Bank (AIIB), the Belt and Road Initiative (BRI), and the Regional Comprehensive Economic Partnership (RCEP), all with different objectives from the BRICS. Why not explore the potential of BRICS? The Chinese view the consensus structure as a constraint, and the BRICS structure itself does not impose any constraints on the individual actions of its members. Therefore, it is natural and expected that countries seek different strategies to defend their interests, as China has been doing.

The absence of a structure of constraints and limitations has ensured the resilience of BRICS. The low or non-existent institutionalization of the group allows its members to only reach consensus on common agendas. Furthermore, it ensures that their coordination happens without a perception of high costs for its maintenance over time. BRICS relies solely on the will of its members to maintain regular discussions without depending on any formal

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structure, such as a headquarters or bureaucracy. BRICS is anchored in annual summits and their declarations. These declarations are the only formal and official documents of the coordination. On the other hand, the absence of rules, norms, and procedures challenges BRICS in moments like its expansion. How can one analyze and justify the selection of six new members without a formal framework to guide the decision? The choice of some over others can create diplomatic constraints for BRICS, both individually and collectively, in the face of the high interest demonstrated in recent months. Above all, it reinforces criticisms regarding the image and representation that BRICS has built since its foundation.

BRICS is recognized for bringing together emerging economies that are very different politically, economically, and socially. It includes two of the world's top five economies – China and India. It strives, even with limited cohesion, to be a voice for the developing world. Its expansion, justified at the end of its 15th Summit in Johannesburg on August 24, was deemed necessary to adapt the group to the contemporary international situation, providing greater diversity and representation to the group. After all, with this announcement, Latin America, Africa, and the Middle East become better represented within the group.

The entry of Argentina, Egypt, and Ethiopia into BRICS, as agreed upon by its members, strengthens the Latin American and African positions within the BRICS group. Argentina was one of the first countries to officially present its candidacy to BRICS, back in 2022. The country believes that its association with the group will strengthen its image and contribute to the recovery of its economy. Argentina has also expressed interest in joining the New Development Bank (NDB). Meanwhile, Egypt and Ethiopia address criticisms regarding Africa's representation within the group, including concerns about the actual leadership of South Africa. Ethiopia's entry was facilitated by its role as the headquarters of the African Union (AU), which has been explored since 2013 at the Durban Summit as a primary means of strengthening relations between the BRICS members and the continent. Egypt, the second-largest economy in Africa behind Nigeria, joined the NDB in 2023, shortly after the United Arab Emirates, which became a new member of BRICS in 2021.

Finally, and perhaps most controversially, the entry of Saudi Arabia and Iran poses a set of challenges for BRICS, both politically and economically. Politically, both are non-democratic countries, with Saudi Arabia being a monarchy and Iran a theocratic republic with a lifelong religious leader as its head of state. Unlike Saudi Arabia, which enjoys relative sympathy from the West, Iran's diplomatic relations with the United States have been severed for decades, and sanctions are regularly imposed on the country. Economically, both countries are members of the Organization of the Petroleum Exporting Countries (OPEC), with Saudi Arabia being the largest member and also the largest economy in the Middle East. This adds a new dimension of influence to BRICS amid increasingly fierce competition for access to energy resources.

Indeed, the entry of these new members into BRICS raises the argument about BRICS as a counterpoint to the G7 and the liberal international order. However, Brazilian authorities, in particular, have been keen to deny this notion. Brazilian President Lula da Silva and his Minister of Economy, Fernando Haddad, were clear in stating that it is not the intention of BRICS to oppose the G-7, G-20, or the United States. According to them, BRICS and its expansion reflect a shared interest among its members in organizing the Global South and advocating for important agendas for developing countries. They advocate for reforms in international organizations to ensure they reflect the current distribution of power and recognize the importance of countries like the BRICS in global politics and the economy.

The subtle but clear shift in BRICS's position on the United Nations Security Council (UNSC) indicates that the negotiations for its expansion were intense and have generated gains, at least in terms of rhetoric, especially for Brazil and India. The Summit Declaration explicitly calls for a

more democratic, representative, effective and efficient, and to increase the representation of developing countries in the Council's memberships [...] including Brazil, India and South Africa, to play a greater role in international affairs, in particular in the United Nations, including its Security Council

China, the main supporter of the expansion idea, and Russia, who sought a broader BRICS capable of creating and strengthening bridges in the face of Western sanctions, had to be flexible in their positions regarding this historic

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demand from their partners. Whether this will be realized remains to be seen, but it marks a fundamental change in position.

The expansion does not resolve a set of uncertainties about the future of BRICS; it actually amplifies them. While, on one hand, it reinforces the recognition and weight of BRICS in international politics, on the other, it challenges the group in terms of its cohesion and institutionalization. Will it be able to translate its political weight into concrete actions? Will it be perceived as a counterpoint to the G7? How will it admit new members? Under what criteria? Will it remain an informal group or adopt rules and norms? These are just some of the numerous questions that the market and academia will delve into more deeply from now on.

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