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## Potential Goeconomic and Geopolitical Consequences of an Expanded BRICS

The origins of BRICS can be traced back to a 2001 publication by Goldman Sachs economist Jim O'Neill, titled "Building Better Global Economic BRICs." In his report, Brazil, Russia, India, and China were identified as poised to play an increasingly significant role in the global economy. The prediction was that by 2050, these countries would collectively account for 40 percent of the world's economic output (Figure 1A). The reality is that China alone has long accounted for around a quarter of global economic output. In fact, in 2022 – a year when China grew merely 3 percent as a consequence of its zero-Covid policy and a real estate meltdown – the BRICS as a whole contributed over 45 percent to global growth (Figure 1B).

The history of BRIC(S) is that of a political rather than an economic grouping, quite different from the vision posited by O'Neill. In fact, the first meeting of the four countries was on the sidelines of the UN General Assembly, which then developed into a series of high-level interactions between the four countries. One of the most consequential outcomes in terms of the institutionalization of the BRICS occurred in 2009, when Russia hosted the BRICS summit: the establishment of the New Development Bank (NDB) to provide financial assistance to developing countries. In 2010, South Africa joined the group, and the acronym was changed to BRICS. The addition of South Africa expanded the group's geographical reach and its economic clout.

The BRICS grouping lost some traction as China pushed its landmark foreign policy project, the Belt and Road Initiative (BRI), especially since 2015, as the BRI expanded from neighboring countries in six predetermined corridors to a much more global endeavor. An important consequence of China's institutional push for the BRI was the creation of the Asian Infrastructure Investment Bank (AIIB) in January 2016, which features a much larger set of shareholders (109 by now, including some Western nations), a wider scope (from the Pacific to the Mediterranean), and with more deployable capital than the NDB.

By 2019, though, the BRI started to show some cracks, given the number of unfinished or unprofitable infrastructure projects and some countries' reluctance to join or stay – let alone Italy's decision to withdraw, which has just been confirmed.

When the Covid-19 pandemic broke out, China became much more silent, not only on BRI but also on the BRICS and, more generally, on international cooperation. The most relevant example of the prioritization of bilateral relations was the upgrade of Chi-

na's diplomatic relations with Russia into a strategic cooperation "without limits" during the celebration of the Beijing Winter Olympics, right before Russia's invasion of Ukraine.

During the first months of 2022, while China was engulfed in its ineffective zero-Covid policy fight against the Omicron variant, the country kept a very low profile in international affairs, until Xi Jinping's participation in the Shanghai Cooperation Organization Summit (SCO) before he headed to the G20. The order of Xi's appearance on the international stage after years of isolation should be read as a very important signal of China's foreign policy direction. In fact, tensions with the West remained apparent at the G20 Summit in Bali in November 2022, notwithstanding the Biden-Xi encounter there, the first since Biden took power.

Since then, China's foreign policy has become even more assertive, not only because its strategic partnership with Russia has remained intact despite pressure from the West, but also because

### KEY MESSAGES

- **The idea behind the BRICS began as a pure economic concept to acknowledge the growing weight of some major emerging economies. However, when it became a reality, it has evolved into a highly political – and less economic – concept**
- **The BRICS, which has been expanded recently to BRICS+, has become increasingly China-centric with very little interaction among other BRICS members**
- **The recent addition increases the group's heterogeneity, with some members being major oil exporters and others needing external funding**
- **The group seems increasingly focused on the reform of the international monetary system, which now rests on the Bretton Woods Institutions, to give more power to emerging economies**
- **Given the large heterogeneity among the BRICS+ members and China's increasingly central role, how India may react poses another important risk to the group's future**



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Figure 1  
BRICS: Population and Economic Growth

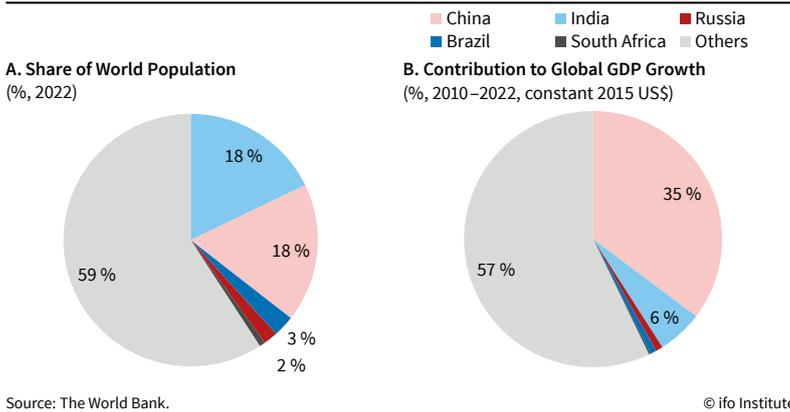


Figure 2  
Brazil, Russia, India and South Africa: Share of Imports in Goods with BRICS Members

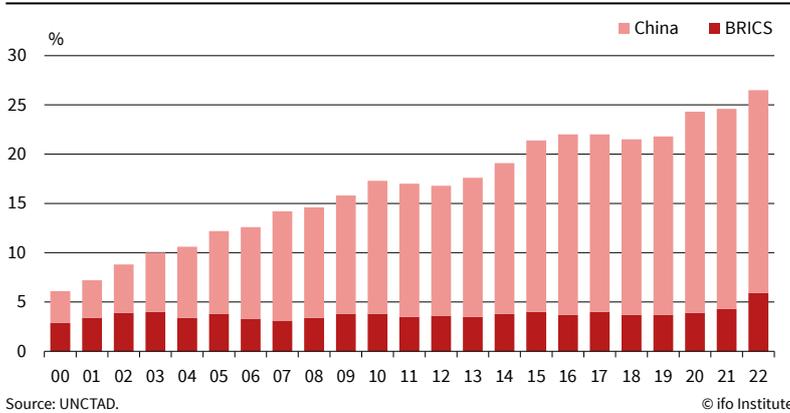
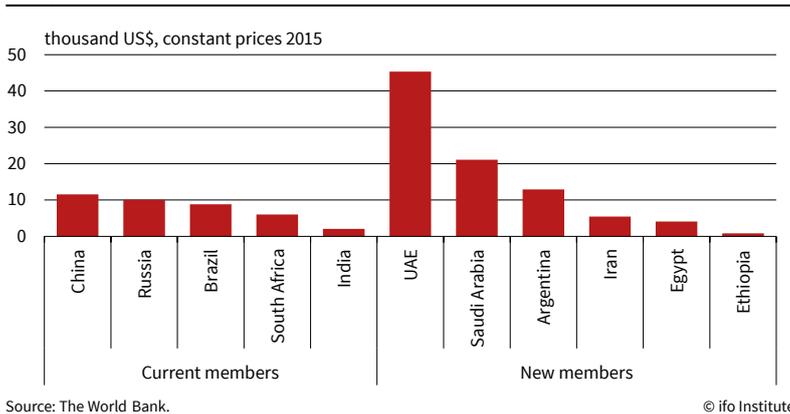


Figure 3  
GDP per Capita



of the launch of major global initiatives in the course of a few months, such as the Global Security Initiative (GSI), the Global Development Initiative (GDI), and the Global Civilization Initiative (GCI), which are increasingly present in the United Nations’ jargon and resonate as China’s alternative to the Western rules-based liberal order.

Together with this busier foreign policy agenda since China fully opened up from Covid-19, the BRI and the BRICS have, once again, come to the forefront of China’s foreign policy. Interestingly, their roles so

far have been complementary. On the one hand, the BRI continues to shape the agenda for multilateral engagement, launching initiatives such as the Global Artificial Intelligence Governance Initiative (GAIGI) announced at the third Belt and Road Forum last October 18. On the other, BRICS has taken a different role, namely that of an accelerator of geoeconomic convergence. The next section develops this idea further.

**WHAT HAD BRICS ACHIEVED BEFORE THE RECENT EXPANSION?**

Since the launch of the BRICS in 2009, their trade relations have clearly grown, but in a very unbalanced manner. Firstly, most of the growth in trade was China-centric, with the share of the rest of BRICS remaining quite flat until recently (Figure 2). The recent increase in the relevance of the rest of BRICS is mostly explained by India, which has experienced significant economic growth in the past few years. Another factor is that BRICS members are increasingly intertwined with China, as far as trade is concerned, but very little among themselves. As Table 1 shows, bilateral trade between BRIC members other than China remains extremely low. In other words, BRICS is very much centered on China and, while the rhetoric is that of a consensus-based grouping, the reality is very different, given China’s overwhelming weight.

The fact that the BRICS is very much dominated by China economically also implies that members align with China on foreign policy decisions, as evidenced by their rather similar strategies in UN voting. This is not only the case for issues within China’s sphere, as can be the case of Xinjiang-related UN resolutions, but also more global ones, as those on Ukraine’s invasion and the more recent Israel-Palestine crisis (Table 2). The only exception in the case of Ukraine’s resolution in March 2022 was Brazil, who voted in line with the West. However, Brazil’s diplomatic stance regarding Ukraine has become much more blurred since then.

**FROM BRICS TO BRICS+**

China – and in particular, President Xi – has been the leading proponent of expanding BRICS to BRICS+. The main reason for such expansion was to make BRICS more representative of the developing world and give it a stronger voice on the global stage. Against this backdrop, China has also been actively lobbying other countries to join BRICS+, and it has provided financial and other assistance to potential new members. Beyond China, Russia has also been supporting such expansion as a way to further insulate itself from Western pressure.

The decision to expand BRICS was made at the 15th BRICS summit, held in Johannesburg, South Africa, in July 2023. The leaders of the five founding members – Brazil, Russia, India, China, and South Af-

Table 1

## Share of Merchandise Trade among BRICS (percent, 2022)

		Trade partner				
		Brazil	Russia	India	China	South Africa
Brazil	Exports		1	2	27	1
	Imports		3	3	23	0
Russia	Exports	1		2	12	0
	Imports	1		1	31	0
India	Exports	2	1		3	2
	Imports	1	4		16	1
China	Exports	2	2	3		1
	Imports	4	4	1		1
South Africa	Exports	1	0	5	15	
	Imports	1	0	7	20	

Source: UNCTAD.

Table 2

## UN Resolution Voting Records for BRICS

	Resolution on the Israel-Palestine crisis	Resolution on Xinjiang human rights issue (failed)	Resolution on the Russia-Ukraine conflict
Date	26-Oct-23	6-Oct-22	2-Mar-22
Brazil	Favor	Abstain	Favor
Russia	Favor	NA	Against
India	Abstain	Abstain	Abstain
China	Favor	Against	Abstain
South Africa	Favor	Abstain	Abstain

Source: United Nations.

rica – agreed to welcome six new members into the fold: Egypt, Ethiopia, Iran, Saudi Arabia, the United Arab Emirates (UAE), and Argentina.<sup>1</sup> This decision was the culmination of a long and deliberate process, focused especially on which countries should be invited to join.

It is obvious that the six (five without Argentina) countries joining are quite heterogeneous (Figure 3). Some are net creditors (such as Saudi Arabia and the UAE), while others are not only net debtors, but also currently in a very weak financial position (especially Argentina). Half of them are large exporters of fossil fuels (Saudi Arabia, the UAE, and Iran). Ethiopia stands out as one more member from Africa, a continent that has become increasingly important for China's foreign policy as well as India's.

The questions that arise are what the BRICS can achieve with such a heterogeneous group of members, and whether it will be able to maintain its own characteristics and objectives after its expansion, especially considering that it is back to business as usual with the BRI.

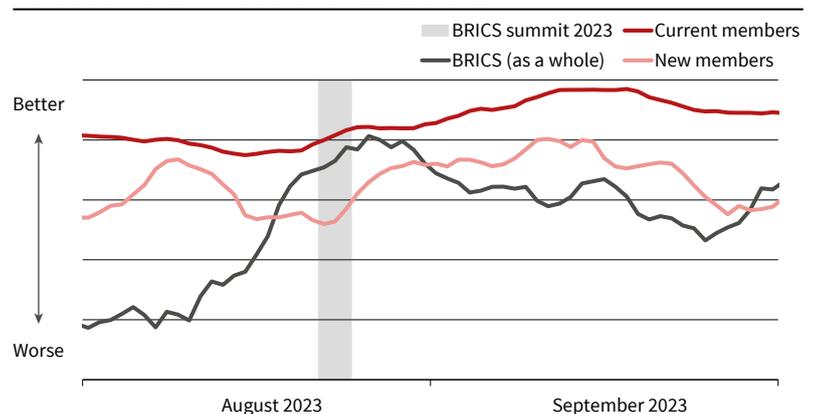
The stated goal of the BRICS is to increase economic cooperation among its member states, leading for instance to creditor countries being ready to lend to, or even invest in, debtor countries. However,

economic integration has not really improved within the group except for bilateral relations with China – which presumably would have grown even without the BRICS.

All in all, the economic rhetoric notwithstanding, BRICS actions are mostly political. A good example is the heated discussion, prior to the most recent summit in which the BRICS group was expanded into BRICS+, that the BRICS would be adopting a single currency to challenge the US dollar. The goal seems to have been forgotten at the summit, since no deci-

Figure 4

## News Sentiment on BRICS and Member Countries



Source: GDELT.

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<sup>1</sup> The newly elected president of Argentina, however, has decided that his country will not join the BRICS.

sion was made in this regard and no timeline to accomplish it was mentioned. Instead, other than the expansion of membership, it was political messages that dominated the discussion, such as the reform of the multinational institutions so that they are no longer dominated by the West.

As for the BRICS+ impact on global governance, the group has called for a comprehensive reform, particularly of the International Monetary Fund (IMF) and the World Bank, to make such institutions more representative, accountable, and effective in addressing global challenges. More specifically, their proposals are to (i) revise the quota system, which determines the voting power of member states, to give more weight to developing countries; (ii) review the lending and development policies of the IMF and the World Bank to ensure that they are aligned with the needs and priorities of developing countries; and (iii) strengthen the surveillance and crisis response mechanisms of the IMF to make them more effective in preventing and resolving financial crises. Beyond the quest for reform, BRICS+ has posited its own development bank, the NDB, as an alternative to existing Bretton Woods institutions, possibly together with the BRI's development bank, the AIIB. The NDB aims to increase local currency lending from about 22 percent to 30 percent by 2026, which could help to reduce its dependence on the Western capital markets (Savage and Goh 2023).

As for the United Nations, BRICS – and now presumably also BRICS+ – has consistently advocated for comprehensive reform of the UN, particularly of its Security Council (UNSC), arguing that its current structure, with its five permanent members (P5) holding veto power, does not represent the interests of all member states. Specifically, BRICS+ countries have proposed the expansion of the UNSC to increase the representation of developing countries and the abolition of the veto power and, more generally, the inclusion of developing countries in UN decision-making.

One increasingly important objective of the BRICS is to become the new platform for developing countries to voice their concerns and interests, with the international financial architecture as an area where the members' positions can clearly be aligned.

The recent expansion of membership evidently helps with this objective, which is why many expect new members to join at China's request. It also goes without saying that China is pivotal in such an expansion, as well as regarding the choice of new members. As for the criteria for membership, the current batch of admittees indicates that member countries have to be interested in building an alternative ecosystem to that of the West (Lukyanov 2023).

The actual impact of the BRICS expansion into BRICS+ will depend on several factors, including the grouping's ability to overcome its internal challenges and the response of the West. Still, the mere fact that such expansion has happened in a rather smooth way

is a clear sign that the global balance of power is shifting, and that developing countries are playing an increasingly important role in global affairs. The inclusion of the African Union's membership in the G20 is also regarded as symbolic of the West's rethinking the risk of losing developing countries (Carvalho 2023).

## WHAT TO EXPECT NEXT AND POLICY IMPLICATIONS

How BRICS will fare over time, as a group, depends on several factors. First and foremost, how China's economic and soft – and possibly hard – power will evolve. There is increasing consensus that China's long-term growth will continue to decelerate structurally, which will reduce the opportunities that the Chinese market has to offer for BRICS members and others. This is particularly the case as China rapidly integrates vertically, with the result that its imports are shrinking and not just decelerating, as is the case for growth. Still, China is already a very large economy that is no longer a net external debtor but a creditor. This gives China room to boost its economic clout in third markets through investments. But even that aspect has become much less relevant over the last four to five years, due to China's own increasing needs for funding.

A second important factor is how BRICS members may perceive China or, better said, how their population's sentiment towards China might evolve. Figure 4 offers our own estimation of the sentiment about China across BRIC members (current and new) using big-data analysis. The deterioration of China's image in these countries is increasingly evident, which creates risks down the road as to the stability of BRICS as a grouping. It seems clear that China's economic clout could play a key role for such sentiment to improve, but this is indeed not guaranteed based on the current signs of structural deceleration.

Finally, the heterogeneity of the BRICS is not only economic but also political. The big elephant in the room is India, which finds itself in an increasingly uncomfortable position in groupings that are dominated by China. Still, the group's diversity in the respective comparative advantages can turn out to be a boon, not only for China, but also for India. This is because India's thirst for energy is increasingly evident, and BRICS has some of the largest producers in its roster: three of the new members plus Russia. Actually, both India and China, as the world's current (and potentially future) largest importers of oil, stand to benefit.

A different question is whether China could use its central power in this grouping to leverage it against the West. As one of the aims behind the planned expansion is to increase trade among the BRICS+ members, such a shift, should it succeed, could also contribute to de-dollarization, which is one of the BRICS+ stated objectives (Ismail 2023).

All in all, the BRICS, which started as a primarily economic initiative to mark the transfer of economic power to the emerging world, has grown into a relevant geopolitical grouping. Still, China's centrality and the great diversity of its members present challenges, but also opportunities. The future of the grouping is uncertain, given its heavy dependence on China's economic future and the deteriorating sentiment towards China among its members. Finally, India's fast growth and increasing geopolitical heft creates additional challenges for the continuation of a China-centric BRICS group.

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