The Financial Crisis, Contested Legitimacy, and the Genesis of Intra-BRICS Cooperation

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The rise of the BRIC grouping (Brazil, Russia, India, China) is one of the most commented on phenomena in international politics of the past years. Yet little is known about how and why institutionalized cooperation between the BRIC countries began. This article makes two arguments. First, an unprecedented combination in 2008—a profound financial crisis among developed countries, paired with relative economic stability among emerging powers—caused a legitimacy crisis of the international financial order, which led to equally unprecedented cooperation between emerging powers in the context of the BRIC grouping. The BRIC countries were able to use their temporarily increased bargaining power to become agenda setters at the time—culminating in the International Monetary Fund quota reforms agreed on in 2010. This shows that even short periods of reduced legitimacy in global governance can quickly lead to the rise of alternative institutions—such as, in the case of the crisis that began in 2008, the BRIC platform—which now forms part of the landscape of global governance. Second, intra-BRIC cooperation in the area of international finance enhanced trust among the BRIC countries and led to a broader type of cooperation in many other areas, suggesting the occurrence of spillover effects. Intra-BRICS cooperation (Brazil, Russia, India, China, South Africa) is therefore likely to continue, even after the conditions that facilitated its genesis—the crisis in the West—have disappeared. Keywords: BRIC, BRICS, G-20, global governance, legitimacy.

It is time to start reorganizing the world in the direction that the overwhelming majority of mankind expects and needs.
—Celso Amorim, “BRICs and the Reorganization of the World”

When the finance ministers and central bankers of the BRIC countries (Brazil, Russia, India, China) met on 7 November 2008 in Brazil, less than two months had passed since Lehman Brothers’s bankruptcy. The financial crisis seemed to make things so unpredictable that the Brazilian government had decided, at the last minute, to change the location of the summit from Brasília to São Paulo, close to the international airport to allow the participants to quickly return to their home countries to monitor the crisis. In times
of globalization, the financial crisis at the heart of the global economic core was widely thought to have profound consequences for all countries that participated in the international market.

Yet as *The Economist* wrote at the time, the largest emerging markets were “recovering fast and starting to think the recession may mark another milestone in a worldwide shift of economic power away from the West.”³ As the BRIC finance ministers stated, “We recognized that the crisis has to some extent affected all of our countries. We stress however, that BRIC countries have shown significant resilience.”⁴ As the meeting in São Paulo made clear, the BRIC countries not only had discussed ways to protect themselves against the crisis, but also how they could use it as an opportunity to adapt global structures in their favor. Within the following four months, BRIC finance ministers and central bankers met four times—in contrast to their weak ties prior to the crisis. The results were palpable: prior to the Group of 20 (G-20) summit in London in April 2009, the BRIC countries were able to act as agenda setters and considerably influence the final G-20 declaration⁵—all by making use of the BRIC grouping, a vehicle that had, in its political dimension, barely existed before the crisis.

The rise of the BRIC grouping is one of the most commented on phenomena in international politics of recent years. Yet little is known about how and why institutionalized cooperation between the BRIC countries began. In this article, I make two arguments. First, I contend that an unprecedented combination in 2008—a profound financial crisis among developed countries, paired with relative economic stability among emerging powers—caused a legitimacy crisis of the international financial order, which led to equally unprecedented cooperation between emerging powers in the context of the BRIC grouping. The Group of 20 leaders’ endorsement at the London summit of almost all of the substantive recommendations put forward before by BRIC countries’ finance ministers also shows that these countries were able to use their temporarily increased bargaining power to turn into agenda setters at the time—culminating in the International Monetary Fund (IMF) quota reforms agreed on in 2010. This shows that even short periods of reduced legitimacy in global governance can quickly lead to the rise of alternative institutions such as, in the case of the crisis that began in 2008, the BRIC platform that now forms part of the landscape of global governance. Current governance structures thus may be far less stable than is usually assumed—and future financial crises may very well reduce their legitimacy further and lead to additional, more profound alterations. Secondly, I argue that intra-BRICS cooperation in the area of international finance was the starting point of a broader type of cooperation in many other areas, suggesting the occurrence of spillover effects of cooperation. In addition to confidence building between the BRICS (Brazil, Russia, India, China, South Africa) countries, the fact that the BRICS grouping is setting up institutionalized structures—such as a
BRICS currency contingency fund and a BRICS development bank in 2013—help explain why institutionalized cooperation is likely to continue even when the initially propitious conditions to do so are no longer present.

No Motley Crew: From São Paulo to Horsham
Why did the finance ministers and central bankers of four seemingly disparate countries with diverging interests decide to meet in Brazil and issue a joint communiqué at the height of the financial crisis, a week prior to the first G-20 summit in Washington, DC (November, 2008)? And how were these four countries able to turn into such an influential grouping only several months later, during the G-20 summit in London in April 2009?

A Look Back
In 2001 Jim O’Neill, recently appointed head of global economic research at Goldman Sachs, sought to create a category for the large, fast-growing developing countries that he thought could symbolize the current global economic transformation. As an economist, O’Neill did not take any political aspects into account and devised the group based on economic indicators, focusing on gross domestic product (GDP) growth rates, GDP per capita, and population size. In his 2001 Goldman Sachs paper “Building Better Global Economic BRICs,” O’Neill predicted that “over the next 10 years, the weight of the BRICs and especially China in world GDP will grow, raising important issues about the global economic impact of fiscal and monetary policy in the BRICs.”

Yet while O’Neill did not expect the grouping to develop politically, he created the BRIC term with the momentous political developments at the time. As he later argued, imagine the situation in which I came up with that idea. This was shortly after 9/11. The terrorist attacks on New York and Washington strengthened my belief that the dominance of the western countries needed to be superseded, or at least complemented, by something else. If globalization were to continue to be successful, it should not sail under the US flag. It seemed to me that because of their sheer size and their populations, China, India, Russia and Brazil had the economic potential. What emerging markets have in common—in addition to their distrust of the West—is their bright future.

Initially, the term’s impact was limited to the financial world. The aftermath of the September 11 terrorist attacks and the subsequent US military mobilization and invasion of Afghanistan dominated the geopolitical debate in 2002.

In October 2003, Goldman Sachs published another paper “Dreaming with the BRICs: The Path to 2050,” which made more specific and far-
reaching recommendations. It predicted that, by 2050, the BRIC economies would be larger in terms of US dollars than the Group of 6 (G6), which consists of the United States, Germany, Japan, the United Kingdom, France, and Italy.\textsuperscript{10} The 2003 paper’s influence surpassed the limits of the financial world, helping the BRIC term turn, in the following years, into a buzzword in international politics.\textsuperscript{11}

**Window of Opportunity**

BRIC did not become a household name because of its conceptual novelty; rather, it was because the grouping powerfully symbolized a narrative that seemed distant in the 1990s, but appeared to make sense in 2008. A momentous shift of power from the United States and Europe toward emerging powers such as China, India, and Brazil was taking place, making the world less Western and more ideologically diverse.\textsuperscript{12} Economic liberalization in emerging market economies began to pay off, resulting in consistently higher growth rates than in the developed world. In contrast, the United States’ hitherto unlimited power seemed to reach its limits in costly and potentially ill-conceived military engagements in Iraq and Afghanistan and a challenging war on terrorism, which seemed to reduce US legitimacy, opening a window of opportunity for emerging countries to gain greater visibility.\textsuperscript{13} At a remarkable speed, unipolarity seemed to turn into a mere transition phase on the way toward a multipolar age. As Randall Schweller and Xiayou Pu argue, “unipolarity, which seemed strangely durable only a few years ago, appears today as a “passing moment.” They continue that the United States “is no longer a hyperpower towering over potential contenders. The rest of the world is catching up.”\textsuperscript{14}

While the US National Intelligence Council’s 2005 Global Trends report predicted that the United States would remain the “single most powerful actor economically, technologically and militarily,”\textsuperscript{15} the 2009 report foresaw “a world in which the US plays a prominent role in global events, but . . . as one among many global actors.”\textsuperscript{16} A poll taken at the time by Fox News found that 62 percent of Americans thought that their nation was in decline, more than double the 26 percent who believed it was on the rise.\textsuperscript{17} Gideon Rachman argues that “new powers are on the rise. . . . They each have their own foreign-policy preferences, which collectively constrain America’s ability to shape the world. Think of how India and Brazil sided with China at the global climate-change talks. . . . That is just a taste of things to come.”\textsuperscript{18} Looking toward the United States, he says that, “if America were able openly to acknowledge that its global power is in decline, it would be much easier to have a rational debate about what to do about it.”\textsuperscript{19}

In short, the financial crisis that erupted in the United States in 2008 led to a legitimacy crisis of the international financial system. Legitimacy matters because it is a fundamental element of order. As the normative basis
of political order, legitimacy sustains the recognized authority to rule in a community. Current order must be accepted by all relevant actors and its rule must be deemed legitimate by the rest of the world to be stable. A legitimacy crisis, as a consequence, increases the risk of international political change.20

Describing the years prior to the first BRIC summit, Matias Spektor states: “The US went to war in the Middle East, Europe faltered, Asia rose, and the institutions that governed the world were evidently no longer up to the task. Unsettling as they were, these transformations opened up a new world of opportunities.”21

Seeking to make use of these dynamics, the first informal encounter in the context of the BRIC grouping took place in 2006, when the foreign ministers of Brazil, Russia, India, and China met on the sidelines of the Sixty-first UN General Assembly in New York.22 They met again a year later, at Brazil’s initiative, still with the aim of identifying areas where they could cooperate. In May 2008 in Yekaterinburg, Russia, the foreign ministers held their first stand-alone meeting, after which they issued the first joint BRIC communiqué—a move which, according to Brazil’s foreign minister Celso Amorim, “said more about multipolarity than words could ever do.”23

In their search for a common denominator, the BRIC foreign ministers quickly realized that the economic crisis in the United States provided emerging powers with a unique opportunity to rally around an issue of great importance: the necessity to reform the international financial order. In the communiqué issued in São Paulo, the BRIC countries stated their dissatisfaction clearly:

We called for the reform of multilateral institutions in order that they reflect the structural changes in the world economy and the increasingly central role that emerging markets now play. We agreed that international bodies should review their structures, rules and instruments in respect of aspects like representation, legitimacy and effectiveness and also to strengthen their capacity in addressing global issues. Reform of the International Monetary Fund and of the World Bank Group should move forward and be guided towards more equitable voice and participation balance between advanced and developing countries. The Financial Stability Forum must immediately broaden its membership to include a significant representation of emerging economies.24

The G-20 seemed to be the ideal platform for this endeavor—a powerful grouping that included the four BRIC countries. A Brazilian policymaker went so far as to say that “the BRICs platform was a child of the G-20—which, in turn, is a child of the crisis.”25 It thus is no coincidence that intra-BRIC cooperation began in earnest in the realm of international finance—an area that seemed particularly ripe for change during the first two years of the crisis. The decision to cooperate in a more structured way was made when
Amorim captures the spirit of the time when he argues that “the BRICS have contributed to keeping the global economy on track...now, they seek to strengthen themselves as a bloc that helps balance and democratize the international order at the beginning of the century.”

Touching on a theme that would eventually become the rallying cry for the BRIC countries, Amorim argues that “we should continue to promote reform...of the international financial institutions, a topic we will discuss in November, when the Ministers of Finance of the BRIC countries will meet in São Paulo.”

**BRIC Summitry: Generating Trust**

Four months later, the finance ministers and central bankers came together in Brazil, in a move that gave further impetus to intra-BRICS cooperation. In the first paragraph of their communiqué, after a brief mention of the international crisis, the BRIC countries reported that “we...discussed proposals put forward by the countries on reforming the global financial architecture.”

Yet far more important than the actual content of the communiqué was the fact that Brazil, Russia, India, and China used the BRIC platform to initiate preparatory meetings prior to the G-20—reflecting their strong belief in the benefits of cooperation between them. While actual cooperation between emerging powers was still incipient at the time, and mutual knowledge relatively low, the São Paulo communiqué made clear that the BRIC platform was more than a mere ad hoc grouping. Brazil’s finance minister Guido Mantega said the BRIC grouping had agreed that they must better coordinate their actions and work closely together for political and economic ends. “We want a new power block, more active, more efficient,” he explained after the meeting.

In late November 2008, during a bilateral meeting in Rio de Janeiro, Russia’s president Dmitry Medvedev and Brazil’s president Luiz Inácio Lula da Silva announced that the heads of state of the BRIC countries would hold their first-ever summit in Russia in 2009. After the meeting, Lula argued that the financial crisis offered opportunities for emerging powers to strengthen cooperation between themselves and their position in global affairs as a whole. According to a Brazilian policymaker, “cooperation in the field of international finance would generate trust between the BRICs’ governments, allowing for broader cooperation further down the road.” The BRIC finance ministers and central bankers, for their part, announced in São Paulo that they would hold their next meeting in Washington, DC, in late April 2009. Yet rather than wait until then, they gathered again on 13 March in Horsham, a day before the G-20 finance ministers and central
bankers met there,\textsuperscript{34} and two weeks prior to the next G-20 leaders summit in London on 2 April.

In Horsham, the BRIC countries’ commitment to governance reform was reiterated, this time in more explicit terms:

We draw our special attention to the reform of international financial institutions. We stand for reviewing the IMF role and mandate so as to adapt it to a new global monetary and financial architecture. We emphasize the importance of a strong commitment to governance reform with a clear timetable and roadmap. We consider that IMF resources are clearly inadequate and should be very significantly increased through various channels. Borrowing should be a temporary bridge to a permanent quota increase as the Fund is a quota-based institution. Hence we call for the completion of the next general review of quotas by January 2011.\textsuperscript{35}

They further stated that

we call for urgent action with regard to voice and representation in the IMF, in order that they better reflect their real economic weights. In the Fund, a significant realignment of quota should be completed not later than January 2011. This is necessary to enable members more equitable and fuller participation in the Fund’s efforts to play its mandate role. A rebalancing of representation on the Executive Board . . . would lead to a more equitable representation of the membership.\textsuperscript{36}

A similar request was made by the BRIC countries regarding the World Bank. They asked for “the speeding up of the second phase of voice and representation reform in the World Bank Group, which should be completed by April 2010,” and called it “imperative” that the next heads of the IMF and the World Bank be selected through “open merit-based” processes, irrespective of nationality or regional considerations.\textsuperscript{37}

While the idea that the BRIC grouping could align some of their positions was met with profound skepticism from the beginning, the G-20 leaders’ endorsement at the London summit in 2009 of several of the substantive recommendations put forward before by BRIC countries’ finance ministers in Horsham also shows that the BRIC grouping may significantly increase emerging powers’ bargaining power and, therefore, prove to be more sustainable than its relatively low level of institutionalization suggests.\textsuperscript{38} Specifically, the recommendations made in the BRIC countries’ communiqué in Horsham found their way into the G-20 declaration on various levels; for example, the leaders of the G-20 supported the threefold increase of resources available to the IMF and allowed the issuance of new special drawing rights (SDRs). In addition, they promised to “build a stronger, more globally consistent, supervisory and regulatory framework for the future financial sector.”\textsuperscript{39} The G-20 leaders also announced that the heads of inter-
national financial institutions “should be appointed through an open, transparent, and merit-based selection process.” All of these demands had been articulated by the BRIC finance ministers and central bankers prior to the G-20 summit. In the same way, the term “reform” appears over ten times in the G-20 declaration, reflecting pressure from emerging powers to provide them with more space.

The BRIC countries’ push for reform culminated in 2010, when a significant quota reform was agreed on—including a quota shift by more than 6 percent in favor of large emerging countries. China became the third-largest shareholder and overtook Germany while Russia, India, and Brazil entered the list of ten most important shareholders. The IMF hailed these steps as “historic” and pointed out that they represented “a major realignment in the ranking of quota shares that better reflects global economic realities, and a strengthening in the Fund’s legitimacy and effectiveness.” It thus can be argued that, in the realm of international finance, the BRIC countries were briefly able to act as agenda setters, bringing together countries that otherwise may not have found a common cause.

**Spillover Effects of Cooperation**

The meetings of finance ministers and central bankers in São Paulo in November 2007 and Horsham in March 2008 can be seen as the starting point of far broader cooperation. From then on, intra-BRIC cooperation expanded to other areas.

Shortly after the G-20 summit in London (April 2009), the BRIC countries’ national security advisors met for the first time, reflecting a dramatic expansion in the scope of their activities. At that meeting, participants discussed possibilities to join forces in the combat against terrorism, illegal migration, and drug and arms trafficking. In addition to the ties between the finance ministries and central banks of the BRIC countries, this encounter established a common platform for the countries’ security communities. Since 2009, the national security advisors have met on a yearly basis.

On 16 June 2009, Russia hosted the first BRIC leaders summit in Yekaterinburg, which was attended by Brazil’s president Lula, Russia’s president Medvedev, India’s prime minister Manmohan Singh, and China’s president Hu Jintao. Host Medvedev hailed the Urals city of Yekaterinburg as “the epicenter of world politics.” The need for major developing world nations to meet in new formats was “obvious,” he said.

The theme of reforming international financial institutions initially continued to be the leitmotif of the encounter. As Medvedev pointed out, there was a “need to put in place a fairer decision-making process regarding the economic, foreign policy and security issues on the international agenda” and that “the BRIC summit aims to create the conditions [for] this new order.” Particular emphasis was laid on ending the informal agreement that
the United States and Europe could appoint the World Bank president and IMF director, respectively.

Yet new issues were added to the agenda. Aside from seeking to reform international institutions, reducing global dependence on the dollar was one of the key themes of the conversations at the summit. Prior to the summit, Medvedev proposed that countries use a mix of regional reserve currencies to reduce reliance on the dollar. Russia said it would reduce the share of US Treasuries in its $400 billion reserves. This echoed China’s and Brazil’s decisions to invest $40 billion and $10 billion respectively in IMF bonds, a move to diversify their dollar-heavy currency reserves. While the BRIC leaders discussed how to reduce dollar assets in their existing reserves, the Russian government also sought to discuss ways to limit the use of the dollar in bilateral intra-BRIC trades. China, which has the strongest trade ties with the other BRIC countries, had already signed a deal with Brazil in May 2009, to allow some bilateral trade transactions to be conducted in Brazilian real and Chinese yuan. Roberto Jaguaribe, the Brazilian “sherpa” at the first BRIC summit, argues that an “integration mechanism between the BRIC countries” would result in a “program of future cooperation.”

After the 2009 leaders summit, the frequency and breadth of intra-BRIC cooperation increased markedly. In the second half of 2009, the BRIC countries’ finance ministers and central bankers met again in preparation for the G-20 summit in Pittsburgh. The BRIC foreign ministers again met on the sidelines of the General Assembly in New York (September 2009). In February 2010, the heads of national statistics institutes of the BRIC countries organized the first meeting at the sidelines of the UN Statistics Committee in New York. A month later, the first BRIC exchange program for judges was organized in Brasília. Two weeks later, the BRIC agriculture ministers held their first meeting in Moscow. In April 2010, the heads of BRIC development banks met for the first time—an encounter that marked the beginning of wide-ranging cooperation that eventually led to India’s proposal to create a BRICS development bank in 2012.

The second BRIC leaders summit followed in April 2010 in Brasília, during which heads of government again agreed to increase “intra-BRIC cooperation” in an attempt to strengthen ties on different levels of government and civil society. On 14 April, the Institute for Applied Economic Research, a Brazilian think-tank, hosted the first BRIC academic forum in Brasília, which brought academics and policy analysts from the four member countries together to develop joint ideas about how to strengthen cooperation. On the same day, in Rio de Janeiro, the first BRIC business forum took place. Finally, the second meeting of BRIC national security advisors occurred in Brasília on 15 April. Since Brazil had also hosted the India, Brazil, South Africa (IBSA) summit a day earlier, South Africa’s president
Jacob Zuma was able to hold bilateral meetings with all BRIC leaders, in an—ultimately successful—attemp to include his country in the group-
ing. By then, the BRIC grouping had already received formal and infor-
mal membership requests by several other countries such as Mexico, Indonesia, and Turkey.

The third leaders summit in Sanya, China, in March 2011 saw the entry
of South Africa, which symbolized the BRICS (now with a capital S) coun-
tries’ taking full ownership of the term. Shortly after the summit, represent-
tatives of the cities of Rio de Janeiro, St. Petersburg, Mumbai, and Qingdao
met to sign the Qingdao Protocol, which called for greater cooperation
between the cities. During the fourth BRICS summit in New Delhi in 2012,
leaders declared they would study the viability of a BRICS development
bank, which would in fact be the first step toward institutionalizing the
BRICS grouping.

Criticism
Throughout this process of institutionalization, the vast majority of observers
in the United States and Europe argue that the category was inadequate for a
more rigorous analysis, given that the differences between the BRIC countries
far outweigh their commonalities. One common argument is that, in eco-
nomic terms, Russia and Brazil are large commodity exporters whereas China
is a large commodity importer; China is a proponent of the Doha Round, India
a skeptic. This matters because the countries generate growth in different and
often opposing ways; while Brazil and Russia benefit from high energy
prices, India, as a major energy consumer, suffers from them. Another com-
mon argument against the grouping is that, from a political perspective,
Brazil’s and India’s vibrant democracies contrast China’s and Russia’s more
authoritarian governments. Brazil is nonnuclear while Russia, India, and
China possess nuclear weapons, and India is a nonsignatory of the Nuclear
Nonproliferation Treaty. Russia remains highly suspicious of Chinese
encroachment in its demographically declining Far East. More importantly,
critics say, is that an unresolved border conflict between China and India as
well as overlapping spheres of interest in the Indian Ocean are often cited as
proof that the BRIC grouping is an impossible alliance. On a more general
level, however, it is argued that the BRIC countries do not constitute a coher-
ent group because their positions in the global political order differ strongly.
While Brazil and India are pushing for a more fundamental redistribution of
institutional power in today’s global governance structures, Russia and
China—both permanent members of the UN Security Council—are essen-
tially status quo powers, reluctant to change a system that has served them
well during the past decades. Finally, bilateral ties between some of the BRIC
countries—for example, between Russia and Brazil—are largely insignificant.
In sum, for many observers, the BRIC countries are too disparate to be a
meaningful category—in the international media, the BRIC grouping has therefore routinely been called “a disparate quartet,” 58 “motley crew,” 59 or “odd grouping.” 60 Several of these arguments are indeed valid. The structural differences between the BRICS members make cooperation more difficult today. In addition, lower growth figures in the emerging world may further dampen hopes to increase cooperation and position the BRICS grouping as a relevant and unified actor in some aspects of international politics.

Yet countering such criticism, and partly to address the problems described above, the number of issues debated at the summits has continually broadened, now ranging from geopolitics and the crisis in Syria, to the economic crisis, to domestic challenges such as education and health care. In addition to the yearly summits, numerous working groups and regular ministerial-level meetings in areas such as defense, health, education, finance, trade, agriculture, and science and technology have been established over the past two years, creating an unprecedented degree of interaction—more than fifty official meetings between the BRICS countries. In addition, BRICS competition authorities, summit sherpas, central bank heads, urbanization experts, think-thank representatives, and businesspeople have convened regularly. The BRICS grouping has thus established a system that one could call “transgovernmentalism,” which implies that groups make contact with similar groups in other countries and departments of state to forge links with their counterparts in other states. 61

“BRICS and Africa—Partnerships for Integration and Industrialization” was the theme of the fifth BRICS summit in Durban in 2013. During the summit, leaders from the BRICS countries decided to establish two important structures. First of all, they agreed on creating a currency contingency fund to protect members’ economies in times of crisis. More importantly, however, they decided to set up a BRICS development bank. These two decisions transformed the BRICS grouping from an ad hoc grouping into a more institutionalized structure, assuring unprecedented cooperation between the countries’ finance ministries and central banks. 62

Regarding the development bank, however, fundamental questions remain. For example, will there be a physical secretariat or will it be a “virtual bank,” akin to a network among the BRICS’s national development banks? Will each country contribute the same amount (the talk is currently of $10 billion), or will members contribute according to the size of their economy? South Africa is said to prefer the latter and India the former as it fears China’s dominance. Will the bank be controlled by emerging powers alone or will established powers be allowed to have a minority stake? Will the bank invest only within BRICS countries or also outside of the grouping (i.e., in Africa)? India is said to prefer the former, as it requires massive infrastructure investment, and it would be far more comfortable taking loans from a BRICS development bank than a Chinese-controlled bank. Will the
bank develop lending paradigms that differ from those created by the World Bank and other established banks? This last question is perhaps the most important one of all. Some say that the development bank will avoid the conditionalities that the World Bank and the IMF attach to their loans. This could lead Western observers to accuse the BRICS development bank of providing rogue loans and undermine the West’s attempts to promote good governance in the developing world. Particularly in times of lower economic dynamism, setting up the institution may take longer than initially expected.

The question regarding conditionality points to a larger uncertainty about the future of global governance. Will emerging powers’ projects such as the BRICS development bank undermine existing institutions and the principles that sustain them? BRICS policymakers go out of their way to point out that the BRICS development bank will “complement” existing institutions. Yet why then, skeptics may ask, do they not hand over the money to the World Bank, the IMF, or other institutions that are already in place? Why go through the hassle of creating a new institution?

The answer, clearly, is that while emerging powers seek a larger role within the existing framework, they do not feel that established powers are willing to provide them with the adequate power and responsibility. Reforms at the World Bank and the IMF have been too slow and not far-reaching enough. The World Bank remains, despite its name, essentially a Western-dominated institution in the eyes of emerging powers. It is difficult to read the creation of the BRICS development bank as anything other than that.

It can thus be said that the early cooperation in the realm of international finance, which began in earnest during meetings in São Paulo and Horsham in late 2008 and early 2009, served as a confidence-building mechanism that had a spillover effect that made possible a much wider range of interaction in other, unrelated areas. This is particularly noteworthy as several bilateral government-to-government relations between BRIC countries were underdeveloped prior to the international financial crisis—now, on the other hand, government departments in the BRICS countries have direct contact with each other.

Postcrisis BRICS Cooperation

Realist theory is capable of explaining the cooperation between the BRIC countries during the financial crisis. After having identified a common interest, they began to cooperate and jointly press for change—and quite successfully so, as the results of the G-20 summit in London in 2009 attest. According to realist thought, however, this issue-based cooperation would have ended after the most intense period of the crisis—in the same way that realists at the end of the Cold War had expected NATO to disband.

Yet while early intra-BRIC cooperation was strongly tied to the theme of the international financial crisis until 2009, it then moved into areas that
were not related to financial issues or global governance at all. Rather, close cooperation in the area of finance had created the trust that allowed ties to expand into fields such as education, science and technology, and defense. This type of cooperation no longer depends on the collective high growth that led to cooperation in the first place. It would thus be wrong to assume that lower growth figures in the BRICS economies—a phenomenon clearly visible since 2012—will reduce their interest in stronger intra-BRICS cooperation.

Why did this proliferation of cooperative behavior take place? Principally used by scholars who studied the phenomenon of regional integration in Europe, the concept of spillover may have some relevance to explain the growth of intra-BRICS cooperation. According to Leon N. Lindberg, a “spillover” implies that political cooperation, once initiated, is extended over time in a way that was not necessarily intended at the outset. Philippe C. Schmitter writes that “Spillover refers . . . to the process whereby members of an integration scheme—agreed on some collective goals for a variety of motives but unequally satisfied with their attainment of these goals—attempt to resolve their dissatisfaction by resorting to collaboration in another, related sector (expanding the scope of mutual commitment) or by intensifying their commitment to the original sector (increasing the level of mutual commitment), or both.”

In his analysis, Schmitter refers to cooperation between states in Europe. Intra-BRICS cooperation, of course, differs strongly from that seen in the early days of European integration, and the BRICS grouping is unlikely to ever develop into anything similar to the European Union. The BRICS platform does not yet involve making binding decisions or jointly managing any aspect of countries’ economic or political affairs; neither is their sovereignty pooled. However, intra-BRICS cooperation has developed to a degree that requires a more sophisticated answer than merely pointing to increased bargaining power during the financial crisis.

Rather than functional spillover, which describes the effects of advanced economic integration, the spillover seen among BRICS countries is of a more simple and incipient type. It relates to the effects of confidence building between government bureaucracies, which—upon a positive experience in one area—decide to cooperate in additional, but not necessarily related fields. Contrary to functional or political spillover effects seen in Europe, the potential spillover effects seen among the BRICS countries do not involve interest groups outside of government, but relate entirely to intragovernmental activities. Intra-BRICS cooperation remains, to this day, a state-driven process, so one could also liken it to “elite socialization” among BRICS governments.

After successful cooperation in the area of international financial negotiations, largely coordinated by the finance ministry and foreign ministry in each
country, leading policymakers decided that cooperation in other areas—such as security—could be similarly beneficial. Individuals who have dealt with BRICS issues are more likely to seek closer ties to BRICS countries even when they have moved into other areas of the administration. Amorim, for example, one of the decisive figures in promoting the political dimension of the original BRIC grouping, stepped down as Brazil’s foreign minister in late 2010 and later became minister of defense and continues to foster intra-BRICS ties in that capacity. This process can be expected to continue as a function of the growing number of policymakers involved in activities that form part of the wider universe of intra-BRICS cooperation.

According to interviews with policymakers from the four countries involved, government bureaucracies began, in 2008 and 2009, to engage widely and frequently in a rather unprecedented way. Brazil’s finance minister Mantega, for example, met with his BRIC counterparts more frequently than any other group outside of South America, underlining the importance of the grouping to the Brazilian government.

This development of elite socialization is described by Carsten Stroby-Jensen in the case of the European Union:

> Over time, people involved on a regular basis ... will tend to develop European loyalties and preferences. ... We can imagine how participants in an intensive and ongoing decision-making process, which may well extend over several years and bring them into frequent and close personal contact, and which engages them in a joint problem-solving and policy-generating exercise, might develop a special orientation to that process and to those interactions, especially if they are rewarding. ... This elite would try to convince national elites of ... cooperation. At the same time ... negotiations would become less politicized and more technocratic. As a result, it was expected that the agenda would tend to shift towards more technical problems upon which it was possible to forge agreement.69

While the parallels between the European Union and the BRICS grouping are, as mentioned above, limited, intra-BRICS cooperation is clearly becoming less political and more technical as more and more bureaucrats from different ministries get involved in the process—further indicating that intra-BRICS cooperation is likely to be more sustainable than generally thought. A natural by-product of growing intra-BRICS cooperation is stronger bilateral ties among BRICS members. A 2008 visa-free travel agreement between Russia and Brazil came into effect in 2010. Easing visa rules is part of a more far-reaching attempt by both governments to strengthen ties, which includes high-level deals to build up cooperation in areas such as energy, space, and military technologies. It will also contribute to increasing not only business contacts, but also tourism, which should help
broaden the BRICS countries’ mutual understanding on a societal level—a vital element in reducing the “trust deficit” between the countries.\textsuperscript{70} Since the financial crisis that began in 2008, the global scenario has changed. Brazil symbolizes this best. GDP grew less than 2 percent in 2012, and its performance in 2013 can no longer be compared to that of the past decade. While Europe still struggles, the US economy is slowly beginning to recover and it may very well grow faster than Brazil’s over the next years. A more confident United States, no longer tied down in Iraq and Afghanistan is unlikely to provide rising powers with the space that the BRICS so skillfully used over the past years. In addition to lower growth, Brazil’s forays into the world’s top league—marked by Lula’s attempt to negotiate with Iran in 2010 and its stint as a nonpermanent Security Council member—were far from smooth.

Yet it should come as no surprise that slower growth in the BRICS economies in 2012 and 2013 has had little impact on the BRICS countries’ willingness to strengthen cooperation even further. Irrespective of current growth figures, policymakers in emerging countries are convinced that the BRICS meetings serve as a useful vehicle to promote South-South cooperation, which has grown considerably over the past two decades. Slow growth alone cannot undo the desire to diversify emerging powers’ partnerships—after all, South-South cooperation is one of emerging powers’ key elements in an attempt to democratize global affairs and reduce the disproportional weight that the Global North has had in the global conversation until now.

Conclusion
In this analysis, I have argued that an unprecedented combination in 2008—a profound financial crisis among developed countries, paired with relative economic stability among emerging powers—led to a systemic legitimacy crisis, and then equally unprecedented cooperation between emerging powers in the context of the BRIC grouping. It is notable how quickly the four BRIC countries identified themselves as potential partners in this endeavor, and how the call for reform turned out to be the fundament of a much more sophisticated process of cooperation. Rather than being limited merely to the yearly leaders summits, intra-BRICS cooperation today is defined by ample, increasingly technical cooperation between a growing number of ministries such as education, science and technology, agriculture, finance, and health.

The financial crisis, and the temporarily reduced legitimacy of the international financial system, can thus be said to have been the determining factor in the creation of the BRIC grouping. Based on cooperation that began in earnest in 2008 (with separate meetings by the foreign ministers, presidents, finance ministers, and central bankers), the BRICS countries
decided to explore opportunities to cooperate in other areas as well. Cooperation in the area of international finance was the starting point for a broader type of cooperation in many other areas, suggesting the occurrence of spillover effects of cooperation. In 2013, for example, the BRICS countries began their cycle of cooperation in early January, when the five countries’ national security advisors met in Delhi to discuss issues ranging from cybersecurity, terrorism, piracy, and other threats to international security. Shivshankar Menon, India’s national security advisor, argues that “there was a high level of congruence in our discussion of these issues. We found it very useful, in fact useful enough that at the end everyone said we must do this again. That gives you an idea of how successful the participants thought it was.” In the same month, BRICS health ministers met in New Delhi, followed by the annual meeting of BRICS competition authorities whose self-proclaimed goal is to curb anticompetitive practices at all levels, and contribute towards evolving transparent mechanisms and processes in its markets. And also in January, BRICS revenue department heads met and signed a communiqué, identifying seven areas of cooperation, including sharing of anti–tax evasion and noncompliance practices, and a BRICS mechanism to facilitate countering abusive tax avoidance transactions. Soon afterward, the third BRICS academic forum took place in Durban, bringing together academics and policy analysts from the five countries. In the forum’s final declaration, it created the BRICS Think Tanks Council “for the exchange of ideas among researchers, academia and think tanks.” A little later, at the fifth BRICS leaders summit in Durban, national leaders along with representatives of their cabinets, including foreign ministers and ministers of finance, trade, education, and science and technology, discussed ways to enhance cooperation. Most of the issues discussed were no longer related to the financial crisis that had helped the BRIC leaders meet in the first place five years earlier. Intra-BRICS cooperation is thus likely to continue, even after the conditions that facilitated its genesis—the financial crisis in the West—have disappeared.

Notes
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2. Between 2001 and December 2010, the grouping was called “BRIC.” With South Africa’s admission to the group in late 2010, it became known as “BRICS.”


4. “Brazil, Russia, India and China First Meeting of BRIC Finance Ministries


13. In fact, Jim O’Neill describes the terrorist attacks on 11 September 2001 as the key event that caused him to develop a grouping that symbolized that “globalization was not about Americanization.” Beth Kowitt, “For Mr. BRIC, Nation Meeting a Milestone,” CNN Money, 17 June 2009.


22. This meeting occurred at the initiative of Russian foreign minister Sergey Lavrov.
25. Interview with a Brazilian policymaker, Brasília, 1 April 2013.
27. Amorim, “Os Brics e a reorganização do mundo.”
29. “Brazil, Russia, India and China First Meeting of BRIC Finance Ministries Joint Communiqué.”
33. Interview with a Brazilian diplomat, Brasília, 20 March 2013.
36. Ibid., par. 9.
37. Ibid.
41. This does not mean, of course, that the influence of the BRICS on the G-20 was all-encompassing. Some of their positions were too heterogeneous to speak with one voice. For a more detailed analysis, see Oliver Stuenkel, “Can the BRICS Cooperate in the G-20? A View from Brazil,” Occasional Paper No. 123 (Johannesburg: South African Institute of International Affairs, December 2012).
42. Stuenkel, Gros, Maslennikov, and Rana, “The Case for IMF Quota Reform.”
45. Some analysts argued that at the Yekaterinburg summit, the content of the discussions was far less important than Russia’s necessity to score a political victory to show that it was capable of bringing together four rising powers with the power to counterbalance the United States. This was particularly the case because Russia no

46. Medvedev, “Opening Address at Restricted Format Meeting of BRIC Leaders.”


48. Ibid.


50. IMF bonds are denominated in special drawing rights (SDRs), an artificial currency used by the IMF.

51. Flemes, “O Brasil na iniciativa BRIC.”


62. At the same time, it must be pointed out that it is too early to say when the BRICS development bank will be fully operational.


64. The BRICS, it must be stated here, is not an example of political integration, because there is no mechanism that limits sovereignty or imposes binding decisions. We can define “political integration” as “the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states.” See Carsten Stroby-Jensen, “Neo-functionalism,” in Michelle Cini, ed., European Union Politics (Oxford: Oxford University Press, 2007), p. 89.


68. Interview with diplomats in Brasília (March 2013), Moscow (February 2013), New Delhi (March 2012), and Beijing (September 2012).


