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### **The BRICS Group in Global Regulation: Leadership, Influence, and Prospects**

*by Elizabeth Burns, MPP15*

What does the rise of the BRICS Group mean for the future of global regulation? Mihaela Papa, Lecturer in Sustainable Development at The Fletcher School, Tufts University, and Overseas Member of the Center for BRICS Studies at Fudan University, shared her perspective of the topic during a Regulatory Policy Program seminar on February 26, 2015.

As she argues, projections about the future of global regulation have traditionally relied on two assumptions: that emerging powers are gradually socializing into the system in place ("rising from within"), and that the existing institutions are largely robust. However, the BRICS group (Brazil, Russia, India, China and South Africa) is an emerging global actor that is challenging both these assumptions. BRICS countries have demonstrated that they can pool their resources, capitalize on their joint influence, and exert pressure for institutional change.

What are the prospects for a BRICS-led global regulatory reform and its implications for U.S. foreign policy? According to Papa, it is not yet clear how influential the BRICS group will be in global regulation. But by examining its history and analyzing its regulatory innovations, particularly its two new institutions (a development bank and currency reserve arrangement), we can learn several key insights.

BRICS is a political group that was formally established as an entity in 2009 (noting that South Africa joined in 2010, which changed the name from BRIC to BRICS). Making up a large share of the world's GDP (21.6 percent in 2014) and 46 percent of the world's population, the BRICS countries believe it is important that they have greater voice in global governance. In particular, they seek to support "a more democratic and just multi-polar world," promote "dialogue and cooperation" among their countries, and serve the "common interests of emerging market economies and developing countries," according to Papa. Overall, BRICS is dissatisfied with the existing global institutions and is seeking ways to reform them.

To make this reform, the BRICS group uses "forum shopping" — creating or using existing (partially) overlapping institutions for institutional change. In 2014, it created the New Development Bank (NDB) to make resources available for infrastructure and other projects in BRICS and other emerging economies. It also established the Contingent Reserve Arrangement (CRA) as a cushion against potential future financial crises. The BRICS countries have committed large amounts of capital to fund these institutions. However, it is still unclear whether these institutions will replace the World Bank and IMF, which currently have much more capital than the NDB and CRA. For example, the BRICS countries still engage with the World Bank and IMF even though they are dissatisfied with both institutions. Additionally, China continues to "shop" for other banks, committing capital to two other infrastructure banks outside of the NDB and CRA.



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Perhaps, however, these BRICS institutions are only the tip of the iceberg as it relates to the influence the BRICS group can have. For example, between 2002 and 2012, intra-BRICS trade increased 922%, from US\$ 27 to 276 billion, demonstrating that transactions are being facilitated behind the institutions. Moreover, BRICS is also taking several steps that suggest it could be strong in the future. For example, it has enlisted the support of academia and think tanks to figure out how the countries may be able to best work together. It has also “cemented” its place in the world by releasing publications and developing agreements with international organizations. The BRICS group thus has several strengths. Nevertheless, it also still faces several barriers, such as potential intra-BRICS conflicts, economic decline, or coalition disruption (such as India, Brazil, and South Africa breaking from group).

Therefore, the question still remains how BRICS will influence global regulation, or what the implications will be for U.S. foreign policy. It is worth noting, however, that the U.S. has not yet developed a proactive strategy for handling BRICS and is currently taking a reactive approach. Only time will tell how BRICS will influence global regulatory reform and U.S. foreign policy.

William C. Clark, Harvey Brooks Professor of International Science, Public Policy and Human Development and Co-Director of the Sustainability Science Program, moderated the presentation.

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