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G20 discoordinated in St. Petersburg

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1. Introduction

G20 leaders had little to celebrate when they met on the fifth anniversary of the Lehman collapse in the 18th century Constantine palace in St. Petersburg. To be sure, the global economy is in better shape than many had expected five years ago, when Lehman's downfall triggered the 2008 global financial crisis. At the same time, the G20 has failed to act as an effective catalyst for better global governance and crisis prevention. More importantly, the G20's track record falls far short of its own hype of strong, sustainable and balanced growth, as evidenced by a sluggish global recovery, intermittent financial market jitters, and socially corrosive high unemployment in developed countries.¹

As expected, there were no breakthroughs at the St. Petersburg Summit. Faced with a jobless recovery but no longer threatened by global economic fissures, G20 leaders from the developed countries (DCs) patted themselves on the back for having averted a great depression and the collapse of the euro, and focused

G20 Summits

Washington (November 2008)
London (April 2009)
Pittsburgh (September 2009)
Toronto (June 2010)
Seoul (November 2010)
Cannes (November 2011)
Los Cabos (June 2012)
St. Petersburg (Sept. 2013)
Brisbane (2014)
Turkey (2015)

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¹ See CINDES Breves #75 (July 2013) for an assessment of G20 effectiveness since it was established as the 'premier forum' for international economic coordination at the Pittsburgh Summit.

on peddling the incipient US recovery and the end of recession in the eurozone. At the same time, their counterparts from emerging markets (EMs) fretted about ongoing market turbulence, as hot money retreated from EMs in anticipation of the beginning of the end of an extraordinary global liquidity glut.

The summit was held under the shadow of the Syrian crisis, which dominated the headlines and the debate on the sidelines. And there was a whiff of cold war in the air, given the strained relations between the US and Russia, with Moscow attempting to assert itself as a global player (and Washington's equal). While the failure to achieve a multilateral solution for the Syrian crisis cannot be blamed on the G20—after all, it is a forum for global economic coordination—it may indirectly affect global growth prospects. The perceived weakening of the US presidency's power on the back of the Syrian crisis may contribute to complicating the US domestic political landscape and, consequently, the resolution of the current round of budget battles, thus clouding the outlook for the US economy.

2. Global economy: reversing trends

The global economy is limping along on a dual-track growth path, with diverging fortunes for developed and emerging countries. But the new pattern is the reverse of the situation prevailing after the 2008 crisis, when DCs were stuck in a low-growth mode or outright recession, and EMs were celebrated as the new engines of global growth.

Now the momentum has shifted to DCs, though the overall global picture is not bright. The eurozone crisis has been pushed to the backburner, and the US economy has been showing signs of modest recovery. At the same time there is growing anxiety about a major slowdown of underlying growth in China and other large EMs, and its negative impact on global recovery.² Following the crisis, China

² The OECD has estimated that annual trend growth for the BRICS may have declined by more than one percentage point over the past five years (OECD, September 2013).

acted as the ‘consumer of last resort’, while the US engineered an unprecedented monetary stimulus. These two drivers seem set to go into reverse, clouding the global economic outlook. The successive downward revisions of global growth forecasts by the IMF and other institutions during the past year illustrate the fragility of the post-2008 crisis recovery.

Amid the change in the dynamics of global growth, the ‘crise du jour’ is the financial volatility in EMs. This has prompted a reversal of their positions in the global stage. For the past five years, EMs in general—and the BRICS in particular—had been complaining about excessive global liquidity and the threat of currency wars; now their key concern is the adverse impact of the end of easy money—the unwinding of the unconventional monetary policy adopted by the US Federal Reserve in the wake of the 2008 crisis (‘QE exit’). Following the market (over) reaction to the May 2013 FED’s announcement of its intention to start ‘tapering’ its \$85 billion monthly bond purchases, EMs faced significant capital outflows and plummeting currencies, amid a sharp rise in long-term interest rates.

At the heart of continued global economic uncertainty is the oversized role that monetary policy has been forced to play in DCs. While central banks have long ago converged on adopting rules for good conduct of monetary policy, fiscal policy continues to be hostage to dysfunctional domestic political processes in key developed countries. As a result of growing concerns with high debt levels, the post-crisis fiscal stimulus in the US and in Europe has faded. With political gridlock preventing agreement on more reasonable fiscal policies, and with interest rates close to zero, central banks have attempted to stimulate economic growth through liquidity and credit facilities, outright asset purchases, and ‘forward guidance’ (policy commitments conditional on future economic developments). The current and potential future spillovers from these ‘unconventional’ approaches illustrate the limits of monetary policy and the need for a more sustainable policy mix.

While there is no impending threat of a global crisis, downside risks are still very high. The global economy is gradually improving, with the US economy as the main driver of growth in the short term. But significant medium-term challenges remain both in the developed and emerging world, aggravated by the ongoing turmoil in the Middle East:

- Limited set of policy tools: the prospect of additional fiscal fights without agreement on a credible medium-term fiscal consolidation plan in the US continues to pose a major risk for the global economy; other (highly indebted) DCs also face limited options for fiscal policy, placing an undesirable heavy burden on monetary policies.
- Eurozone not yet out of the woods: while it is finally out of recession, the economic and governance problems of the eurozone are not yet resolved.
- Stalled EM growth: the recent slowdown in China has reinforced concerns about a hard landing, with negative impact on other EMs and on global growth.
- QE exit: the timing and speed of the withdrawal of US monetary stimulus remains a major source of global uncertainty, especially after the FED stunned markets with its recent decision to maintain QE at the current levels.³ While the reduction of global liquidity is necessary to correct existing imbalances and financial excesses, if not handled smoothly the tapering has the potential to generate significant global financial instability and derail the subdued global recovery. The FED’s reversal illustrates the difficulties in calibrating the exit from unconventional policies. It has also ignited a lively debate about central bank communication policies and the need for a more robust communication strategy in systemically important central banks, which have a significant impact on world financial markets but often base their policy actions on parochial domestic arguments.

³ In its September 17-18 policy meeting, the FED announced its intention to continue the current pace of bond purchases for at least another month, and possibly until 2014. This decision surprised and confused investors, who had expected the announcement of a gradual ‘taper’ instead.

2.1. Tepid recovery in the developed world

While DC leaders may feel emboldened by a recent raft of positive economic data, global demand remains chronically weak. Despite significant progress with deleveraging (notably in the US), debt levels are still very high, financial sector reforms are incomplete, unemployment is excessive, and in most countries there is a pressing need for politically difficult structural reforms to boost competitiveness in the labor, product, and service markets.

The key problem in advanced countries is sub-par growth. Sustained recovery is far from established, and the prospect of a few years of stagnation cannot be ruled out in some cases. At the same time, the meager recovery achieved so far has benefitted only the top income earners, aggravating pre-existing trends toward more unequal distributions in income and wealth.

United States: bouncing back

The US economy is in the middle of a battle between improving fundamentals and fiscal retrenching. Notwithstanding the fiscal drag caused by the budget sequester and the never-ending political gridlock, growth has picked up on the strength of private demand and housing. The energy boom, powered by increased production of shale gas and oil, has also contributed to the recovery, with the US becoming a net exporter of fuel in 2011. Banks have been recapitalized, the stock market has boomed, and overall there is a feeling that, on the strength of a more effective response to the crisis, the US economy is on a much sounder footing than the eurozone. However, below-trend growth has not been enough to make a significant dent on unemployment. And the ongoing budget battles could jeopardize the fragile recovery: partisan divisions have only widened during the past year leading to a government shutdown and another showdown over the debt ceiling.

The FED's decision to delay slowing down its bond purchases reflects its concern that the US economy does not have enough momentum to justify the tapering. The

lingering fiscal uncertainty and the adverse impact of higher long-term interest rates on the embryonic housing market recovery have also contributed to a less upbeat assessment of the economic outlook.

Eurozone: dragged by austerity

The eurozone seems to have finally emerged from a record 18-month long recession, with tentative green shoots visible in the second quarter of 2013. A slight relaxation of fiscal austerity, with some countries given extra time to meet their deficit targets, helped end the recession. Having defused an immediate break-up of the euro zone last year (courtesy of the ECB's "will do whatever it takes"), eurozone leaders are enjoying a period of relative financial market calm, and have become complacent again. But the reality is that eurozone GDP is still below pre-crisis levels, and not much has changed: unemployment remains very high, the financial system remains highly fragmented, and the pace of growth continues to be uneven, reflecting a persistent performance gap between core countries and the Southern periphery. Structural reforms, including additional bank recapitalization and further progress toward a banking union, stalled ahead of the September elections in Germany. The timetable for the banking union could be further derailed by ongoing coalition negotiations.

A sustained upturn is far from certain. While the recovery was led by Germany and France, these core countries are struggling to keep momentum, as they are very dependent on (weak) external demand. At the same time, the Southern countries are stuck with low growth and high unemployment, as they still face high debt levels and tight credit conditions for small- and medium-sized companies. Additional stress may come from the need for a second round of support to the Southern periphery—including another debt restructuring in Greece and a second program for Portugal—and from continuing political instability in Italy.

2.2. “Taper tantrum” in emerging markets

The big EM party seems to be over. The mere anticipation of a withdrawal of US monetary stimulus caused a global sell-off in stocks and bonds, and a flight to the US dollar during the past summer. While the FED’s ‘taper announcement’ was the trigger for market turbulence, EM growth had already been losing momentum for a while, as the tailwinds that had propelled EM growth for the past decade turned into headwinds. The post-crisis boom was driven by high commodity prices, strong growth in China, and abundant capital inflows resulting from the ultra-loose US monetary policy.⁴ With all these drivers going into reverse and still sub-par growth in DCs, the growth model of several EMs, fueled by easy money and credit, reached its limit. The key question is whether the current slowdown is a cyclical correction or the beginning of a structural shift.

Most likely, there is an element of both. The factors that powered post-crisis EM growth were not expected to continue permanently, so a correction was to be expected—it is hard to argue that EM central banks were caught by surprise here. However, local conditions matter: the recent turbulence has hit especially hard the EMs subject to more macroeconomic fragility, i.e. those with high current account deficits, rapid credit expansion, and overreliance on commodities’ exports. On the economic policy side, excessive state interference in the economy and insufficient and inadequate implementation of structural reforms also contributed to slower growth and to markets’ reassessment of EMs’ growth potential. At the same time, most EMs now have low inflation, flexible exchange rate systems, high level of reserves, and small foreign exchange debt burdens. These stronger economic fundamentals raise hopes that EMs can contain the rising threats to macroeconomic and financial stability caused by previous credit bubbles. But in some cases the authorities could be faced with difficult policy dilemmas (such as tightening vs. easing monetary policy), given pressure for depreciation and capital outflows amid sluggish growth.

⁴ According to the BIS, cross-border lending to EMs surged in the first quarter of 2013, increasing by a record 8.4 percent. About 85 percent of the increase in flows corresponded to lending to China, Brazil, and Russia. This global search for yield reversed in the second quarter, following the FED ‘taper announcement’.

The recent EM turbulence is the result of failed policies and missed opportunities. The most affected countries did not use the bonanza from the boom years to implement the structural reforms needed to raise their productivity and diversify their economies. Instead, they prioritized consumption over investment, compromising long-term growth prospects. Now, with the good times behind them, it will be far more difficult to muster the political will to pursue reforms that are necessary for returning to trend growth. The FED’s reversal provides some breathing space and another opportunity for EMs to prepare for the end of cheap money.

At the end of the day, the key to EMs’ economic outlook will be China’s performance. If China’s loss of momentum turns out to be permanent, its long-term contribution to growth in EMs will fall significantly. The jury is still out on China’s long-term prospects. Although the new Chinese leadership seems to be giving priority to structural reform over rapid growth, a concrete reform plan still needs to be fleshed out and implemented.

3. St. Petersburg Summit: from austerity to growth

The St. Petersburg Summit took place against the background of mixed progress and great uncertainty in the world economy. Recognizing that the post-crisis recovery had been weak and uneven, while downside risks remained high, G20 leaders defined the summit agenda with a clear focus on boosting jobs and growth.

3.1. Background: ministerial meeting in Moscow (July 2013)

The summit agenda marked a significant shift in G20 priorities, with growth placed ahead of austerity. This change in gears was possible because the gap between the positions of German-led ‘austerians’ and those in favor of a more accommodative stance had narrowed in light of the disappointing performance of the eurozone, especially if compared to the US recovery. In the event, Germany’s proposal for the adoption of a binding set of deficit targets for G20 countries (a follow-up to the

Toronto summit pledge to stabilize debt-to-GDP ratios by 2016) was dropped. This marked a victory for the US view that an excessive focus on fiscal consolidation would risk the recovery and would be counter-productive for debt reduction.

Despite the priority given to growth, the ongoing asset-price volatility in emerging markets took center stage during the July meeting. In light of the EMs turbulence, the debate turned from the impact of excessive monetary easing to the impact of monetary tapering. G20 ministers recognized the past support from accommodative monetary policies to global growth, but cautioned that unconventional policies needed to be ‘carefully calibrated and clearly communicated’ in order to mitigate negative spillover effects.⁵ This message was reiterated in the G20 Leaders’ Declaration at the St. Petersburg Summit.

3.2. The Russian agenda

In outlining their priorities for the G20 presidency, the Russian chair attempted to refocus the group’s efforts on its core objective—strong, sustainable, and balanced growth. The Russian agenda sets out a platform for growth through three growth-enhancing pillars: effective regulation; quality jobs and investment; and trust and transparency. Each of these pillars encompasses a few topics, as depicted below.

Growth through effective regulation	Growth through quality jobs and investment	Growth through trust and transparency
Strengthening financial regulation Enhancing multilateral trade Energy sustainability	Framework for strong, sustained and balanced growth Financing for investment Jobs and employment Development for all	International financial architecture reform Fighting corruption

⁵ For the full text of the communiqué, see <http://www.g8.utoronto.ca/g20/2013/2013-0720-finance.html>.

While stressing continuity through a set of priorities that built on past G20 themes, the Russian presidency also added new items to the agenda (such as Financing for Investment). The number of working groups grew in line with the ever-increasing number of issues for discussion and related reports.⁶In parallel, the Russian chair announced that a special effort would be made to reach out to non-G20 states, international organizations, business circles, labor unions, civil society, academia, and think-tanks, with a view to ensuring legitimacy and enriching the debate. While the work program highlighted the ‘result-oriented approach’ promoted by Russia for the G20 summit, the emphasis on medium-term deliverables revealed the group’s procrastination tendencies.

3.3. G20 leaders’ declaration: highlights

In practice, the Syrian crisis was the elephant in the room, a clear illustration of the political dimension of G20 summits. Efforts to defuse the crisis upstaged the debate on economic issues. With Syria on the spotlight and the eurozone off the radar for the first time in the past three years, only a few issues topped the discussions: global growth; QE exit; and cooperation against tax evasion.

The Declaration did not disappoint regarding the usual pledges. As in previous summits, the G20 vowed to maintain exchange rate flexibility, refrain from competitive devaluation, and resist all forms of protectionism. While extolling the virtues of free trade and a multilateral trading system, G20 leaders—frustrated with the stalled 12-year old negotiations under the Doha Round—were busy negotiating regional free trade agreements on the sidelines of the meetings. Somewhat ironically in view of the host’s background, an ‘anti-corruption’ initiative was included in the Russian menu, in recognition of the adverse role of corruption on sustainable economic growth, poverty reduction, and financial stability.

⁶ The well-organized website for the Russian presidency includes all relevant documentation for the St. Petersburg Summit and related meetings (<http://en.g20russia.ru/documents/>).

Global growth

Recognizing the current challenges to the global economy, the G20 backed a ‘St. Petersburg Action Plan’ to boost growth and employment. The Action Plan reaffirms the ‘paramount importance of the G20 as a forum for open and engaged dialogue’ and the G20 leaders’ ‘fundamental belief (...) that collective and coordinated actions are the most effective way forward.’

The Action Plan was designed to support short-term recovery and strengthen the foundations for strong, stable and balanced growth:

- **Short-term commitments** include strengthening the foundations for European monetary union, with decisive steps toward a banking union; a more flexible approach in fiscal policy implementation by advanced countries, while respecting fiscal sustainability; and efforts to improve economic fundamentals in emerging countries.
- **Long-term commitments** cover enhanced fiscal sustainability and implementation of structural reforms. As anticipated during the July ministerial meeting, the text did not specify hard-and-fast debt targets, settling instead for country-specific medium-term fiscal strategies, to ‘be implemented flexibly.’ Structural policies, in particular labor and product market reforms, are viewed as the key drivers for growth and jobs in the medium term. (Of course they are also the hardest measures to implement, with politicians typically unwilling to break past unaffordable promises to their electorate). Country-specific reform commitments, including efforts to reduce global imbalances, are included in an annex of the Action Plan.

QE exit

The Declaration papered over the deep divisions within the G20 about US monetary policy. It recognized the support to growth provided by unconventional monetary policies, but cautioned against the risks of monetary stimulus programs, calling for

greater clarity in policy calibration and messaging by central banks, as previewed at the Moscow meeting. The pledge for better communication also found a place in the Action Plan, which includes specific commitments from the world’s leading central banks about future changes in their monetary policy settings.⁷

However, when it comes to unconventional monetary policies, policymakers are clearly threading on uncharted territory. Only a couple of weeks after the summit, the FED’s surprise reversal on its intention to start tapering its QE program created new uncertainty. The perception that the FED had bungled its communication added to the growing doubts about the effectiveness of unconventional monetary policies and the viability of ‘forward guidance’. The level of general discomfort with the routine pursuit of policies that are defined as ‘extraordinary’ seems to be growing.

Tackling tax evasion and avoidance

The G20 endorsed an OECD Action Plan on international taxation standards, aimed at addressing base erosion and other weaknesses in international corporate tax rules. The OECD plan was developed in response to criticism of the low tax rates paid by some multinationals corporations benefiting from existing tax loopholes. It establishes new rules to promote multilateral and bilateral automatic exchange of tax information. The idea is to expose tax evasion through greater transparency, once countries adopt standardized tax laws. The new standards would limit the ability of multinationals to legally avoid paying taxes via profit shifting and registration in tax havens and thus would transfer a portion of the global tax burden from individuals and small businesses to large corporations. The new system is expected to be put in place by 2014, though skeptics have pointed out that fierce corporate lobbying is likely to delay implementation.

⁷ The list includes a commitment by the Central Bank of Brazil to a program of foreign exchange swap auctions and credit lines, with a view to providing hedging and liquidity to the foreign exchange market.

Other topics

Financial regulation

Progress on financial regulation reform continues to be hampered by the lack of a shared G20 vision on future financial architecture. While financial markets are truly global, financial regulation remains the domain of national or regional authorities, making it more difficult to adopt new global rules. Once again, the Financial Stability Board appealed to G20 countries to stay the course in implementing the reforms initiated in 2008, with a view to building a more resilient global financial system.⁸ While tangible progress has been achieved on the implementation of Basel III capital standards (only Turkey and Indonesia are yet to adopt the final implementing rules), G20 countries still need to cover a lot of ground in order to complete the other key areas of reform: ending ‘too big to fail’; reforming shadow banking entities; and making derivative markets safer.

IMF reforms

As feared by EMs, no progress was made on IMF reforms during the St. Petersburg Summit. The IMF quota and governance reforms continue to be blocked by a few countries (most notably the US), which have yet to ratify the 2010 Seoul agreement. Completion of the reforms, which would increase representation (and voting shares) of developing and middle-income countries at the IMF Board, requires ratification by 85 percent of the IMF’s membership. In turn, ratification is needed for the completion of the Fifteenth Quota Review by the (revised) deadline of January 2014. Despite repeated calls from the IMF for quick ratification, the reforms have basically stalled, increasing the odds of a future legitimacy crisis for the institution.

⁸ The latest FSB Chairman letter (http://www.financialstabilityboard.org/publications/r_130905.pdf) summarizes progress in implementing financial reforms, and remaining challenges.

Financing for investment

The G20 recognized that long-term investment financing is necessary to support sustainable growth and job creation. To that end, G20 leaders approved a work plan including the securitization of infrastructure loans and the creation of dedicated funds for long-term investment financing, including public-private partnerships arrangements. The plan aims at improving countries’ investment climate, attracting a larger portion of global savings for long-term projects (particularly in infrastructure), and increasing access to financing for small and medium enterprises. It was decided that the set of collective and country-specific actions (to be identified and discussed during the 2014 Brisbane Summit) will be part of the growth strategies for G20 countries.

4. BRICS and the G-20: testing times

The rising clout of the BRICS in the post-crisis global stage has been challenged by the recent shift in the drivers of global growth. The balance of global power may well change with the economic fortunes of DCs and EMs going into reverse. The new global dynamics, with reduced emphasis on EMs as the main growth engines, has the potential to undermine the BRICS’ influence in the G20. If this trend is sustained, the BRICS and other EMs will have more incentive to rely on ‘institutional regionalism’ instead of (Western-dominated) multilateralism.

Intra-BRICS coordination was again the focus of attention in St. Petersburg, following their failed attempt to join forces during the Moscow ministerial meeting. Notwithstanding their rhetoric, the BRICS were unable to come up with concrete joint proposals to deal with the impact of the reversal of what the Brazilians called the ‘monetary tsunami’. Although some of the BRICS currencies (the Indian rupee, the South African rand and the Brazilian real) were among the hardest hit by the massive capital outflows from EMs during last summer, the BRICS did not succeed in presenting a common front to deal with the financial turbulence.

In the event, Brazil and India had no choice but to raise interest rates, despite feeble domestic growth. In an article drafted after the Moscow meeting, the author of the BRICS acronym put it simply: the main reason the BRICS find it hard to cooperate is that they do not have much in common. Therefore, their meetings tend to produce ‘bold statements, but little in the way of tangible achievement’.

The BRICS tried to change this perception in St. Petersburg by announcing some concrete steps toward establishing their own safety net. They also called on advanced countries to adopt policies that would boost global growth and market confidence, and reiterated two of their most pressing concerns: the impact of the FED’s ultra-loose monetary policy (and of its tapering), and the lack of progress on IMF quota and governance reforms.

BRICS Monetary Fund?

The clear motivation behind the BRICS’ safety net initiative is to reduce reliance on Western-dominated financial institutions, notably given the loss of momentum in IMF reforms. During the summit the BRICS announced that they had finally reached consensus on the broad arrangements for a development bank and a reserve fund, as agreed in Los Cabos.

Details still need to be worked out. The New Development Bank (NDB), expected to be launched during the next BRICS summit in Brazil (March 2014), would have an initial subscribed capital of US\$50 billion. For crisis prevention, a US\$100bn emergency reserve fund (Contingent Reserve Arrangement) could be tapped by any member with financial need, possibly in connection with an IMF program. China is expected to contribute the lion share of the reserve fund (US\$ 41bn); Brazil, India, and Russia would put in US\$18bn each, and South Africa would chip in US\$5bn. Critics have not wasted time in pointing out that, given the trillions of dollars routinely moved around by financial markets, the BRICS reserve fund is a mere drop in the bucket.

QE exit

The BRICS were united in warning their G20 peers about the potential negative impact of unconventional monetary policies—a line pushed strongly by Brazil during the past couple of years. To avoid damaging the growth prospects of emerging countries, they called for an ‘orderly exit’ from QE. They also insisted on better communications between central banks of advanced economies and financial markets, in order to reduce volatility. These concerns were incorporated in the G20 Leaders Declaration, though the FED’s subsequent actions illustrate the difficulties in communicating policy change when financial markets react so much faster than the real economy. India’s suggestion about setting up a consultation system for central banks to deal with the effect of policy changes did not gain much traction. China certainly scored some points by pointing out that US monetary policy seemed to be carried out without much concern for its potential spillovers, despite the US dollar’s role as the world’s reserve currency.

IMF Reforms

Once again, the BRICS expressed their frustration with the snail’s pace progress on IMF reforms. With the ratification of IMF quota and governance reforms languishing, the DCs use of the IMF to extend mega-loans to distressed eurozone countries is seen by some as adding insult to injury. Although the St. Petersburg Declaration stresses that the IMF reforms are ‘indispensable for enhancing the Fund’s credibility, legitimacy, and effectiveness’, the earlier impetus for IMF reforms seems to have faded away.

5. Concluding remarks

G20 leaders' discussions in St. Petersburg took place amid continued high uncertainty about the global outlook. While this time around there was no immediate threat of a financial crisis, the global recovery has remained slow and uneven, and serious medium-term challenges lie ahead for all G20 members.

The need for collective G20 action continues to be pressing on many fronts. But divergent growth patterns are undermining incentives to adopt a united policy front. Thus, while G20 leaders pay lip service to the benefits of coordination at every summit, in practice their actions are constrained by the dictates of their (often hostile) home political environments. The bottom-line is that the world has lost faith in the power of global economic coordination, with the most pessimistic observers proclaiming the demise of multilateralism.

Against this background, the challenge for the BRICS is to preserve their only recently acquired influence at the global negotiating table. With BRICS growth prospects increasingly clouding up, they risk losing ground as the balance of power tilts back toward DCs. At the same time, while disillusion with multilateral cooperation may lead to increased efforts to enhance direct cooperation mechanisms, the lack of common interests among BRICS will continue to undermine their appetite for substantive joint initiatives.

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