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Brazil, India, and China (BICs) in the G-20*

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Before the “Great Recession”, global macroeconomic policy was coordinated by a small group of industrialized countries (G-5, G-7, G-8). The decision to establish the G-20 as the leading forum for international economic coordination during the Pittsburgh Summit in September 2009 marks an important change in the international decision-making process, with growing importance of emerging economies. While G-20 commitments have become more specific, it is unclear whether they can yield any tangible results, since the G-20 lacks a formal enforcement mechanism, working by consensus.

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From BRICs to BICs

Brazil, India, and China are part of the BRICs, a group that has gained traction in the wake of the Great Recession.¹ BRIC countries are key regional players, increasingly competing for industrial and agricultural markets (with the undervalued Yuan hurting the exports of Brazil and India) and for geopolitical influence (China, India, and Russia in Asia; Brazil and China in Africa). China has a comparative advantage in manufacturing exports; Brazil in commodities; and India in IT services. Given its dependency on oil and gas, poor performance during the crisis, declining population, and lack of WTO membership, Russia fits poorly in this group.² Notwithstanding the catchy acronym, several analysts have questioned the rationale for the BRICs, suggesting that their differences overshadow their common interests and hinder their ability to agree on a common strategy.

The BICs are big countries, with large domestic markets, but marked economic differences. In terms of economic weight, China is the dominant member of the group. They have adopted different approaches to economic management, with China following a development model based on heavy investment and exports, while Brazil and India are more focused on domestic markets. The three countries are trying to innovate and diversify their economies in an increasingly globalized world. Despite recent strong growth, poverty and income distribution are still major concerns.

Brazil and India are full-fledged democracies, enjoying high degrees of legitimacy domestically, regionally, and internationally, while China follows a more autocratic approach. Both Brazil and India are

campaigning for reform of the UN Security Council, where permanent seats are reserved for nuclear powers. As a non-nuclear power, Brazil resents not having a permanent seat in the UN Security Council, a sentiment shared by nuclear India.

China's position on key G-20 issues is typically based on pragmatism, and on the attempt to integrate its complex relationship with the US with its desire to speak and be seen as a developing country. Despite its growing economic power, China prefers to exercise its leadership indirectly, through coordination with other large emerging countries such as Brazil and India.

Brazil's impact on the international agenda is growing, despite its small share in international trade, anchored on an active diplomatic effort to assert its leadership. Brazil's relations with the US have become more confrontational over time, while the dialogue between the US and the other two BICs is more intense and pragmatic.

India views the support for developing countries as a test of the leadership capacity of large emerging countries. To this end, it consistently defends the interest of developing countries, pressing for attention to their needs, notably regarding infrastructure and export financing.

BICs' increasing influence

The BICs responded vigorously to the global financial and economic crisis by adopting effective monetary/fiscal stimulus programs. These helped to stabilize global output, enhancing their credibility and economic power. China's massive economic

¹ The first BRIC summit was held in June 2009 in Yekaterinburg (Russia), with a relatively broad agenda. Since then, the drive for cooperation among the BRICs has been increasing. The second summit took place in Brasilia in April 2010.

² For arguments against including Russia in the BRICS, see for example "What's in a BRIC?" by Joseph Nye (<http://www.project-syndicate.org/commentary/nye82/English>).

stimulus was one of the largest in the G-20, avoiding a disastrous collapse in employment and contributing to a marked reduction in the current account surplus/GDP ratio between 2007 and 2009. In the meantime, China became the world's largest exporter. In Brazil and India, good economic management and the belief that—this time around—emerging markets were not the cause of the crisis, consolidated the popularity of the democratic governments.

The BIC's robust macroeconomic performance during the recession has translated into increasing geo-political influence and a growing willingness to step up their participation in global affairs. With a view to increasing the degree of "multipolarity" in the world, the BICs have pushed strongly to establish the G-20 as the leading forum for global economic discussions. At the same time, they have enhanced their mutual cooperation, increasing the frequency of meetings and coordination efforts.

BICs and the key G-20 issues: convergences and divergences

Brazil, India, and China (BICs) have emerged as more assertive leaders after the Great Recession. Their common platform is their desire for increased participation in international decision-making, and in the construction of a new international architecture, with more democratic, representative, and legitimate structures of global governance. They try to minimize their differences in order to offer a united front in their attempts to defend their strategic interests (and safeguard those of smaller developing countries) and to obtain growing visibility as emerging global powers in a changing international order.

Despite their efforts to build common positions in the relevant negotiation fronts, they have marked differences in their economic and strategic interests. The chart below represents an attempt of summarizing the three countries' positions in the main issues of the G-20 agenda:

BICs' positions on key G-20 issues

Issue	Summarized positions
Recovery and Global Imbalances	Divergent interests: Brazil and India have been negatively affected by the Yuan appreciation, but they have avoided putting pressure on China overtly.
Reform of the International Financial Sector	Moderately convergent: the BICs are united in calling for reform of the international financial system, but there are important differences in the details, reflecting differences in their national financial systems.
Reform of International Financial Institutions	Convergent: they are united in demanding quota, voice and governance reforms.
Climate change	Divergent interests, but convergent positions in the G-20: they have very different energy matrix, but they have been trying to present common positions. Brazil has recently moved to a more "progressive" approach. The BICs generally prefer to hold climate change negotiations at the UN forum, instead of moving this agenda to the G-20.
Global Trade	Divergent interests, attempts to coordinate positions: they have been trying to coordinate at the G-20 for trade, but they blew the coalition when they faced the Lamy Package (July, 2008).