BRICS-PLUS: ALTERNATIVE GLOBALIZATION IN THE MAKING?

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By building a network of economic alliances across continents, the BRICS may take the lead in shaping global economic integration against the backdrop of waning integration impulses in the developed world. Apart from opening new pathways and fostering new alliances, the BRICS could also perform the role of an ‘aggregating platform’ for some of the RTAs (Regional trade agreements) and other types of agreements.

Against the backdrop of waning integration impulses in the developed world, the largest developing economies are forging ahead with new initiatives directed at revitalizing regional integration. China in particular appears to exhibit activism in building new development institutions (Asian Infrastructure Investment Bank – AIIB), mega-regional projects (‘One Belt One Road’) as well as new economic alliances across the globe. Nonetheless, in the past several years even as the activism of BRICS countries in building economic alliances across the globe has increased, the development of the BRICS formation itself lacked vigour.

Indeed, despite the creation of the New Development Bank and some of the initiatives to boost economic ties between BRICS members, there is a sense that the BRICS is starting to encounter limitations to further integration. Perhaps BRICS as merely a forum of discussion among its members may be the right format after all, but given the size and potential of each of the BRICS members, one cannot help but hope for more synergy in interaction between the leading developing economies of the world.

One of the ways to overcome the limitations in BRICS development as well as the lingering contradictions may be to shift the focus from trade liberalization or large-scale integration amongst its core members towards building a wider framework of integration/cooperation in the developing world that fills the voids of integration and opens new gateways for cooperation among BRICS and their partners across continents.

That kind of framework may be realized through China’s initiative to create a BRICS+ circle that according to China’s foreign minister Wang Yi will represent a new platform for the South-South cooperation via holding dialogues with other major developing countries or groups of developing countries to establish a more extensive partnership. ‘We will widen the circle of friends of the BRICS and turn it into the most influential platform for South-South cooperation in the world,’ declared Wang Yi.

The new BRICS+ initiative is coming not just at the right time as the BRICS is seeking to find new gateways to development, but it would also perhaps be one of the first truly global undertakings of the developing world in shaping a new, more balanced economic order. This in turn is made possible due to the unique nature of the BRICS, which is represented by one or several major powers in virtually every continent of the developing world.
The Uniqueness of BRICS and the BRICS+ Circle

The first thing to realize about the uniqueness of the BRICS is that each member is also a leading economy in its continent or sub-region within a regional integration arrangement: Russia in the Eurasian Economic Union (EEU), Brazil in Mercosur, South Africa in the South African Development Community (SADC), India in the South Asian Association for Regional Cooperation (SAARC), and China in the Shanghai Cooperation Organisation (SCO), in the China-ASEAN Free Trade Area and the prospective Regional Comprehensive Economic Partnership (RCEP). All countries that are partners of the BRICS in these regional integration arrangements may form what might be termed as the ‘BRICS+ circle’ that becomes open to flexible and multiple modes of cooperation (not exclusively via trade liberalization) on bilateral or regional basis.

Thus, rather than expanding the core set of BRICS members, the BRICS+ initiative seeks to create a new platform for forging regional and bilateral alliances across continents and aims at bringing together the regional integration blocks, in which BRICS economies play a leading role. Accordingly, the main regional integration blocks that could form the BRICS+ platform include Mercosur, South African Customs Union (SACU), EEU, SAARC, as well as the China-ASEAN FTA. Altogether, in such a setting 35 countries form the BRICS+ circle:

• SACU: Botswana, Lesotho, Namibia, South Africa, Swaziland;
• SAARC (SAFTA members)¹: Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, Sri Lanka;
• China-ASEAN FTA: China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia;
• EEU: Russia, Kazakhstan, Belarus, Armenia, Kyrgyzstan;
• Mercosur (core members as well as acceding members): Brazil, Argentina, Paraguay, Uruguay, Bolivia, Venezuela.

The main modalities of cooperation between BRICS+ countries could involve the following.

Platform for trade and investment integration. In the trade and investment sphere the BRICS+ network could encourage expanding the set of FTAs/PTAs across individual countries or regional blocks of the BRICS+ grouping. Trade alliances do not have to follow the standard path of comprehensive FTAs, but could also involve targeted/limited liberalization via preferential agreements (PTAs). Investment alliances and liberalization measures could be concluded in the form of lowering barriers for FDI into strategic sectors or companies as well as via lowering capital controls in mutual transactions. One of the transmission mechanisms that could be employed to facilitate

¹ India during the previous BRICS summit invited leaders of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) – an RTA formed by India, Bangladesh, Nepal, Myanmar, Thailand, Bhutan, and Sri Lanka to hold a joint summit with the BRICS. Depending on the preferences of India, the South Asian regional block within BRICS+ could then be represented by BIMSTEC.
the propagation of trade and investment alliances within the BRICS+ framework might be raising the priority accorded by BRICS+ economies to an alliance with a country that has become a member of one of the core RTAs within the BRICS+ network or that has concluded trade or investment alliances with an individual country or regional block within BRICS+. An FTA alliance forged by South Korea, for example, with the Eurasian Economic Union could improve the possibilities for this country to conclude alliances with other regional blocks or individual countries in BRICS+.

Cooperation in international organizations, including the Bretton Woods institutions to increase the consolidated voting share. In the IMF the consolidated share of the BRICS is just below the 15% mark. The addition of BRICS+ partners would raise the consolidated share of the vote by 1–2 percentage points (depending on the exact composition of the BRICS+ circle) to more than 15%, which would enable the BRICS+ to have a blocking stake with respect to the key decisions of the Fund. BRICS+ countries could also form alliances in other international organizations, including the WTO, where a BRICS+ group in negotiations could complement other South-South alliances, for example in G20 or G33.

Cooperation between development banks and other development institutions formed by BRICS+ economies, namely the Eurasian Development Bank (EDB), the Development Bank of South Africa (DBSA), the SAARC Development Fund (SDF), Mercosur Structural Convergence Fund (FOCEM), China Development Bank (CDB), China-ASEAN Investment Cooperation Fund (CAF), and the New Development Bank (NDB). Within this group of development institutions, the NDB could potentially perform a coordinating role with respect to BRICS+ initiatives, while there could also be a role for the Asian Infrastructure Investment Bank (AIIB), which can serve as a platform for bringing together the financing from developing and developed economies. Within this network of regional development institutions, cooperation could be targeted at co-financing investment projects as well as initiatives and programs aimed at fostering the attainment of key development goals (human capital development, ecology, financial sector integration/cooperation).

Use of national currencies/payment systems: the BRICS+ circle could serve as an extensive platform for creation of BRICS+ countries’ payment systems and expansion in their use. It could also serve as a platform for extending the use of national currencies in mutual trade and investment transactions, thus reducing dependency on the US dollar and the euro.

Cooperation in establishing own reserve currencies/regional and global financial centres. The countries that form part of the regional blocks of BRICS+ could support each other’s efforts in promoting creation of international financial centres (though admittedly there may be also competition, particularly in a regional context) via listing companies in the exchanges of BRICS+ economies. There may also be greater cooperation in advancing some of the BRICS+ currencies as reserve currencies that become part of gold and currency reserves of the respective Central Banks.
In effect, closer cooperation between the regional blocks and the development banks in the BRICS+ circle is already taking place. In terms of cooperation between the regional blocks, Mercosur signed a memorandum of understanding with the Eurasian Economic Union and henceforth continued discussions on a possible cooperation agreement between the two blocks. Another example is the PTA between Mercosur and SACU entered into force on 1 April 2016.

In terms of cooperation between the development banks of BRICS countries in 2016, the Eurasian Development Bank (EDB) in collaboration with the New Development Bank, Nord Hydro, and the International Investment Bank (IIB) reached an agreement on construction of small hydropower plants in the Republic of Karelia (Russia). The BRICS countries’ New Development Bank (NDB) will fund the construction of the plants in Karelia with a total amount of $100 million, making its first investment in the Russian Federation. In addition, the NDB will provide the IIB and the EDB with targeted financing of $50 million each for opening a credit line for Nord Hydro in Russian roubles. The maturity of the loan is 12 years, with the IIB and the EDB covering associated project risks. In April 2017, the Eurasian Development Bank (EDB) signed a memorandum on cooperation with the NDB.

The BRICS+ network expands the possibilities of forming alliances within and across continents for developing economies on the basis of bilateral country-to-country alliances or via trade or investment deals between regional blocks. The combination of alliances between the respective RTAs and the network of the respective development institutions strengthen the micro-level foundations (bottom-up) of potential alliances at the macro-level (FTAs, PTAs, investment accords, etc.). However, even this expanded version of the BRICS is not sufficiently comprehensive to encompass the entire South-South dimension – further mechanisms and steps are needed to render the BRICS outreach more extensive.

Taking BRICS+ a Step Further: the BRICS++ Circle

The operation of the BRICS+ framework need not be solely circumscribed to the regional blocks of the BRICS core. Indeed, each of the regional integration groups led by BRICS economies also has its own network of economic alliances with third countries – EEU has an FTA with Vietnam, while Mercosur concluded an FTA with Israel. These countries and/or regional blocks that have signed agreements with BRICS countries’ regional blocks, may form the ‘BRICS++ circle’, which further expands the possible set of alliances that may
be facilitated for BRICS economies and their partners. The expansion in the BRICS network to several circles of alliances not only enhances prospects for integration, but also improves their optionality as each country can vary integration within the network and render it more piecemeal and gradual.

Hence, the BRICS++ framework expands the BRICS+ through adding a layer of bilateral alliances that may be made by regional blocks and individual economies via the following options:

- One of the BRICS+ regional blocks concluding an agreement with a developing economy that is outside of the BRICS+ circle;
- BRICS+ country concluding an agreement with a developing country regional block;
- One of the BRICS+ regional blocks building an alliance with another regional block;
- BRICS+ country forming an economic alliance with another developing economy.

Formation of such alliances expands the wider BRICS ‘circle of friends’ to what may be termed as BRICS++, which complements the possible alliances within the BRICS+ circle with an opportunity to form a set of alliances with the rest of the developing countries. In effect, the BRICS+ model is akin to the competitive liberalization policy in the developed world, in which regionalism is complemented and reinforced by bilateral alliances. The BRICS+ network in such a setting increases incentives for developing countries to join the regional blocks led by the core BRICS economies, while the BRICS++ provides opportunities and benefits in making bilateral deals with the BRICS+ members.

More broadly, the economic integration agenda for BRICS+ and BRICS++ could envisage the following stages:

- **Bilateral trade and investment accords between the key members of the BRICS grouping.** For Russia, which has already advanced significantly in developing trade ties with China, trade accords based on FTAs may be considered with respect to South Africa, Brazil, and India. Compatibility with WTO rules would be an important part of this construct. Mutual integration could also be pursued on the basis of liberalization of mutual investment flows as well as flexible forms of trade/investment integration that do not necessarily amount to a full-fledged FTA.

- **Continental/regional integration within the BRICS+ network.** Each of the BRICS members serves as the core for regional integration – Russia in the post-Soviet space, China in East Asia, India in South Asia, South Africa in the African continent, as well as Brazil in South America. The BRICS may seek to provide impetus to the regional/continental integration to share the benefits from bilateral integration with members of regional/continental groupings.
• Trans-continental trade/investment integration via the BRICS+ and BRICS++ frameworks. Such closer ties across continents may be founded on anterior headway in bilateral and regional trade integration. Accordingly, with sufficient progress in forming regional accords led by the respective members of the BRICS, the next stage could involve trans-continental alliances between the likes of the EEU and Mercosur.

• Global integration initiatives. Greater integration among BRICS+ and BRICS++ could increase their leverage in global institutions, including in the WTO and the IMF. With Russia now a member of the World Trade Organization, the BRICS may form a full-fledged alliance/club to coordinate their trade strategies.

Through pursuing regional integration across virtually all continents (which makes such integration truly global and inclusive) and due consideration accorded with global WTO rules, the above sequencing of BRICS-induced integration would not only deliver greater trade and investment liberalization, but would also reconcile some of the contradictions between regionalism and multilateralism. Overcoming the contradictions between bilateral, regional, and multilateral/global integration would serve as a crucial breakthrough in removing the roadblocks to global growth.

In effect, the BRICS+ circle forms the inner ‘regional rim’ of partnerships for BRICS economies, which is composed of the key regional integration blocks such as Mercosur, SACU, EEU etc. The BRICS++ ambit makes a circle of bilateral alliances (with individual countries or regional blocks) on an FTA basis or on the basis of other types of economic integration agreements (including the investment sphere). Both BRICS+ and BRICS++ expand the set of alliances for all the countries included into this wider circle, whereby existing trade or investment agreements can provide the basis for multilateralizing such deals with other members of the enlarged group. If successful in building its economic weight, the enlarged BRICS network may exert significant impact on trade and investment flows in the world economy and become a focal point of attracting these flows on a ‘cumulative causation’ basis much as was the case with the developed economies in the preceding decades.

What about the rest of the world that is not immediately part of the BRICS+ and BRICS++ frameworks? Firstly, there is a need for a framework of cooperation between the BRICS+ circle and the developed world, which can be based on the existing FTAs or comprehensive economic agreements with developed countries formed by the BRICS+ economies (FTA between SACU and European Free Trade Association (EFTA) or Japan–India Comprehensive Economic Partnership Agreement). The investment liberalization with the countries of the developed world may be pursued in the context of such joint projects as well as within the WTO and other global organizations where the BRICS+ economies could form a unified group.
BRICS+ as a New Type of Integration in the Global Economy

The expediency of the BRICS+ format emanates in part from the tendencies that the BRICS and the global economy have been affected in the past several years. Firstly, there is the increasing domination of regionalism in the global economy that manifests itself in the creation of regional mega-blocks. Secondly, trade policies of some BRICS members are increasingly determined by their priority RTA – the EEU in the case of Russia, SACU in the case of South Africa, and Mercosur in the case of Brazil. Indeed, regionalism appears to be an important element of trade and overall external economic policy in the majority of BRICS economies. In fact, when China advanced its BRICS FTA proposal, other BRICS countries alluded to difficulties in following this format due to the transfer of trade policy to the RTA level (Brazil and Mercosur being a case in point).

Another sign of increasing importance of regionalism in BRICS policies was the decision of India as a host of the 2016 BRICS summit to invite leaders of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) to hold a joint meeting with the BRICS.

Indeed, this practice of inviting representatives of the main RTAs (and possibly the relevant development banks/funds) formed by BRICS countries could be the modus operandi for BRICS+ during the initial stages of formation. Heads of the five main regional blocks as well as the respective development institutions could meet during BRICS summits to review their integration agenda and set development/integration goals for the future. Alternatively, each country hosting a BRICS summit may invite the representatives of their respective regional block to foster a closer partnership between this RTA and the BRICS countries. Such an arrangement leaves largely a coordination role for the BRICS+ framework to formulate the agenda for globalization and South-South cooperation during the initial stages of its operation.

In the framework outlined above the essence of the BRICS+ initiative is not the enlargement of the BRICS core to include the largest developing countries, but rather to create a network of alliances that would be comprehensive and representative of all major regions/continents across the developing world. In this respect, the BRICS+ paradigm is more about inclusiveness and diversity rather than about selecting the largest heavyweights. By its very nature of being present in all of the key regions and continents of the developing world, the BRICS could perform the unique role of a comprehensive platform for economic cooperation across the globe. Thus, the BRICS+ concept is first and foremost about a different approach to economic integration and a different way to structure alliances globally.

In this regard, the principle of BRICS+ is in some ways a technological step forward compared to the principle of territorial and exclusive regionalism. A BRICS+ integration framework that is spread throughout the world is much like the eBay marketplace, which grants all potential members of the network the opportunity to exchange preferences and
concession regardless of their location. This is different from the regionalism of Trans-Pacific Partnership (TPP) or Transatlantic Trade and Investment Partnership (TTIP) that is circumscribed to a certain location or neighbourhood, however large. Rather than being a drawback in terms of integration, the dispersed and decentralized nature of BRICS is an advantage in promoting a more open and inclusive integration framework. BRICS+ in this regard is not a territorial, unipolar, civilizational concept – it is a global, multipolar and a cross-cultural paradigm.

With respect to the developing world the BRICS+ system could focus on filling the gaps in global integration – via addressing insufficient integration in some regions of the developing world (most notably in Asia and Africa) the pattern of economic integration could become akin to what may be termed as ‘balanced regionalism’ or ‘sustainable regionalism’, rather than the regionalism that seeks to benefit solely the front-runners of the world economy. The sustainable regionalism could involve assistance to developing economies in reaching the UN 2030 Sustainable Development Goals through obtaining greater access to markets and technologies as well as the development of infrastructure.

The key question to ask today is: ‘What kind of integration and globalization framework do we need for sustainable development’? The answer is to move away from the core-periphery model of globalization that is characterized by extreme global imbalances and high inequality towards a decentralized “no core – no periphery” framework of BRICS+. The BRICS+ framework also needs to recognize that globalization will be inherently incomplete and thus should seek to emphasize the opportunity for varying standards and modes of integration as opposed to the proselytizing approach of enforcing universal standards that is fraught with disruptions and reversals.

Most importantly, the nature of trade integration pursued by the BRICS and its institutions could be rendered more inclusive (open to participation for other developing and developed economies) as opposed to the exclusive nature of integration largely pursued in the past that was based on narrow geographical or ‘commonality of values’ criteria. The emergence of BRICS offers the world economy a unique opportunity to reload the international integration process and to make it truly global, non-discriminatory and more compliant with the global rules of the WTO.
Conclusion: Towards “Diversified Integration”

The current global setting characterized by waning integration and liberalization impulses in the developed world presents a possibility and a need for a renewed impetus towards economic integration in the world economy. The global integration process is in need of a sufficiently strong starting engine, a new platform of integration that can compensate for the lack of momentum coming from the ‘old platform’ of the developed world. The BRICS grouping, being present in all the key regions and continents of the developing world, could serve as the basis for such a new comprehensive global platform of integration, but may encounter limitations in large-scale integration among its core heavyweights. To overcome these limitations a wider context for the BRICS that may take on the form of BRICS+ would serve to broaden the possibility set of economic alliances that can be forged across a greater array of countries and regions. In this respect China’s BRICS+ initiative announced earlier this year is timely in terms of breathing new life into the evolution of the BRICS as well as delivering a new impetus to the process of global economic integration.

The BRICS+ framework provide opportunities for greater trade and investment integration as well as a supportive institutional framework of coordination among regional development banks and development of financial systems. The key principle in this process is to allow for substantial flexibility in the multilateralization of alliances to include trade and/or investment, as well as the possibility of regional and/or bilateral alliances. In this respect the pattern of BRICS+ integration is more akin to that of ASEAN and East Asia in general, which is characterized by the prevalence of bilateral alliances and variations in integration patterns as opposed to the pattern of the EU predicated on a set of uniform standards targeting the creation of one single block. On the contrary to the core-periphery pattern prevalent in the preceding decades, the BRICS+ model provides an opportunity for open and diversified integration in the global economy. The result is a global economy that is characterized by divergence of various models of development rather than a convergence towards one sole model or standard.

In the end, the new vision of integration in the form of BRICS+ could drag the world economy out of its misery of persistently low growth rates. It appears that new principles and new approaches in advancing openness and integration are required. We need to think about integration, growth and globalization in new and in hitherto abnormal ways to surmount the ‘new normal’. We need to shift gears from the old ‘core-periphery’ paradigm to veritable sustainable development, which in the integration sphere is to be based on greater diversity, equality of opportunity and due care with regard to spillover and trade diversion effects.