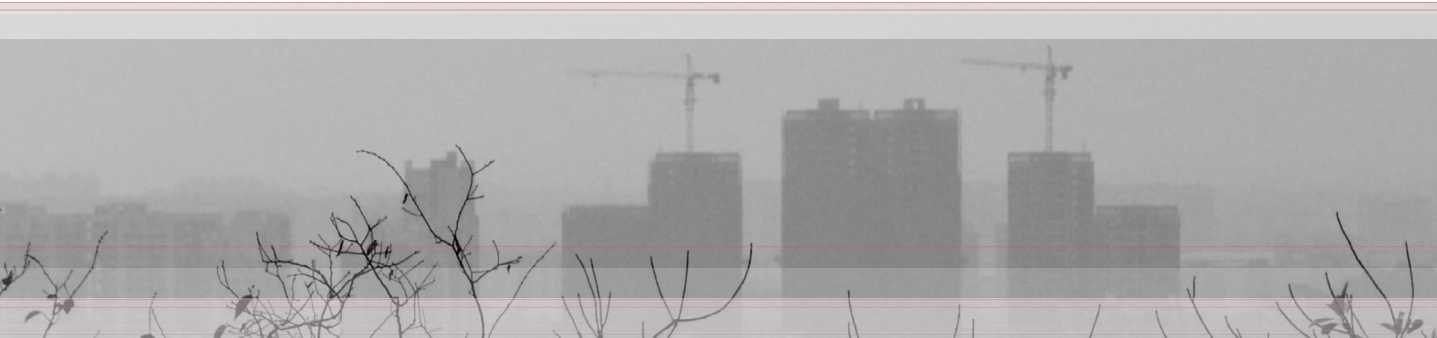


REVOLUTIONS

GLOBAL TRENDS & REGIONAL ISSUES

Beyond BRICS: New and Rising Global Powers



/ Adriana Erthal Abdenur /
/ Karol Bieniek / Maiara Folly /
/ Brian Hensarling / Richard Hornik/
/ Kishnendra Meena / Przemysław
Osiewicz / Joanna Skrzypczyńska /
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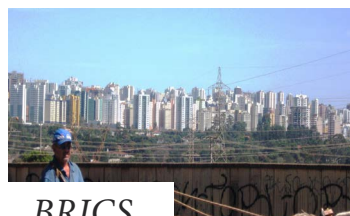
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Beyond
BRICS
New and Rising
Global Powers

BRICS – more than
an **ACRONYM?**

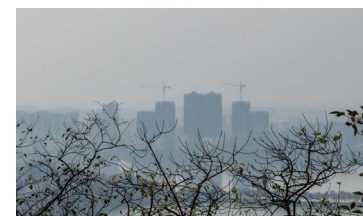
In the Shadow of BRICS -
future **GLOBAL ACTORS**

artworks &
PHOTOS



BRICS

photos by **Katarzyna Peichert, Weronika Czekaj,
Szymon Paż and Eliza Kania**



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foreword

R/EVOLUTIONS

*global trends &
regional issues*

Dear Reader,

Welcome to the third volume of our journal. This 2015 edition contains the Global Trend: “Beyond BRICS: New and Rising Global Powers,” while this year’s regional issue on migration to the EU will be published somewhat later (in Autumn/Winter 2015) due to current events taking place in the Mediterranean region as you are reading this.

It has been a good year for our organization (Revolutions Research Center) so far. We have acquired a new topic editor, Lasha Markozashvili, whose contributions are already visible at various aspects in this issue on BRICS. Also, our journal has been granted an ISSN number, which will definitely extend our visibility in the future. In addition the reorganization of our network and boosting up our promotion unit, staffed by motivated volunteers and headed by Aleksandra Galus has also paid off manifold. Moreover, in cooperation with the city of Poznań this year we were honored to be able to invite dr. Masato Kajimoto from the University of Hong Kong in May for a series of lectures on the position of media in East Asia.

Beside the journal’s new edition, our greatest (organizational) success will take place later this July with the launch of the first *Summer Institute of News Literacy*, organized by the Faculty of Political Science & Journalism (AMU, Poznań) and School of Journalism (SBU, Stony Brook University, New York) and run by their respective staff and the team of RRC together. The Summer Institute offers intensive courses on News Literacy for 15 participants from all over the world, selected from 145 applications in two rounds. This would not have been possible without the smooth coordination and mutual vision of Deans Tadeusz Wallas (AMU) and Howard Schneider (SBU); the highly motivated and crucial expertise by Richard Hornik and professor Dorota Piontek; and our dynamic News Literacy team: Agnieszka Filipiak, Eliza Kania and dr. Rafał Wiśniewski, of which I’m glad to be a part. The project is sponsored by SBU, the Faculty of Political Science (AMU) and complemented by five full scholarships offered by the Transatlantic Mobility Office for Erasmus Mundus Alumni from the TOSCA and EMINENCE projects.

We hope our readers will enjoy this new issue and follow the future developments of our organization on our rebranded website: revjournal.org. More will follow – with such a relentless and dynamic team. Finally, we would like to thank and congratulate the authors and anonymous reviewers for putting such a great issue together. As always we welcome all forms of feedback at rev@amu.edu.pl.

Jeroen Van den Bosch

global
TRENDS

Beyond BRICS

New and Rising
Global Powers

artworks & photos

Czekaj
Kania
Paź
Peichert

texts

Erthal Abdenur
Bieniek
Folly
Hensarling
Hornik
Meena
Osiewicz
Skrzypczyńska
Starrs
Wiśniewski

BEYOND BRICS: NEW AND RISING GLOBAL POWERS INTRODUCTION

THE EVENTS OF LATE 2014 AND THE FIRST HALF OF 2015 ON THE EURASIAN CONTINENT SUCH AS THE UKRAINIAN WAR (WHICH HAS LED TO A SERIOUS, IF NOT GRAVE, DETERIORATION OF MOSCOW'S RELATIONS WITH THE WEST) AND GROWING CHINESE ASSERTIVENESS (EVIDENT IN THE SOUTH CHINA SEA AND IN PROMOTION OF NEW REGIONAL INSTITUTIONS) ARE SIGNS THAT THE TECTONIC PLATES OF THE GLOBAL ORDER ARE SCRAPING PAST EACH OTHER ON A SCALE NOT WITNESSED SINCE THE DAYS OF THE "SECOND COLD WAR" IN THE EARLY 1980S.

Therefore, in this third issue of *R/evolutions*, we will focus on the encompassing great power play – BRICS. As a forum of cooperation between major non-Western powers, BRICS has the potential to play a weighty role. It seems that Russia in particular aims to use it as a tool in its confrontation with the West. Arguably, Moscow might have found a fellow traveler in its quest for Eurasian integration in Beijing. Such initiatives like the Shanghai Cooperation Organization, the Eurasian Economic Union and New Silk Road Economic Belt seem to complement one another in seeking closer economic integration of the Eurasian landmass with the exclusion of the US as the "intrusive global hegemon." Sino-Russian tensions are wiped firmly under the carpet and 'Eurasia' is replacing the 'Central Asian' scene as the nexus for regional integration.¹ It very well might be that these trends will come to a head during a joint BRICS/Shanghai Cooperation Organization (SCO) Heads of State Council scheduled to take place on July 8-10, 2015 in Ufa, Russia.²

We have chosen BRICS as a curious phenomenon of international politics. The very birth of the concept and its further evolution seems to be a prime case of constructivism at work. When Jim O'Neill from Goldman Sachs first coined the term BRIC (Brazil, Russia, India, China) back in 2001,³ he was simply making a shrewd investor's observation about four big "emerging economies" and their promising potential. Actually, as many commentators pointed out, these four countries didn't have that many common characteristics, as they differed in economic structure, political regime and foreign policy outlook. However, it seems that the leaders of the states had a quite a different view on this matter. In 2006 the BRIC's foreign ministers held a separate meeting in the margins of the UN General Assembly for the first time. After that it went ever further. In the midst of the financial crisis four countries held their first leader's summit in Yekaterinburg (2009). A year later the acronym was updated with inclusion of South Africa (bringing even greater diversity to its membership).⁴ Finally, in 2014 the group has opted to take their cooperation into a higher level with the establishment of the New Development Bank and Contingent Reserve Arrangement which are viewed by some as alternatives to the World Bank and International Monetary Fund respectively.⁵ Thus, BRICS

¹ Van den Bosch 2016.

² Shtraks 2015.

³ O'Neill 2001.

⁴ BRICS.

⁵ Fortaleza Declaration.

have made a remarkable journey from a somewhat fuzzy (but fashionable) investment construct, into a full-fledged international institution. It seems that O'Neill was onto something after all. As a consequence, many analysts tried to predict which countries can become new "emerging powers" and become "tomorrow's BRICS."

In this issue of *R/evolutions* we have posed two sets of questions to our authors. The first concerns the consequences of BRICS' emergence, as it signifies a shift in global distribution of economic and military power. More intriguingly, as pointed out by Chester A. Crocker,⁶ it also signifies an opening of a normative cleavage in international politics, with new powers having different views on the state, its functions or the appropriate international order from established Western powers (though it must be stressed that there are important differences among BRICS on this issue as well). Is there really something like a BRICS bloc in international economic and political relations? If yes, then what it stands for? Does it challenge the current US-led international order?

The second set of questions tries to identify which factors may propel countries onto similar trajectories of economic and political performance which brought (some of the) original BRICS so far, so fast. We asked our authors to contemplate the potential rise of some promising candidates for new emerging powers. The results are intriguing.

The first part of this Global Trend: *BRICS – More than an Acronym?* focuses on the existing organization and its behavior to assess if they are more than the sum or their parts. Firstly Professor **Kishnendra Meena** x-rays BRICS through prisms of geopolitics, geography, and theories of regions and regionalization to unravel the geopolitical imaginations and ponder the question – can BRICS be explained through the traditional conceptions of the region when it does not possess geographical continuity, homogeneity nor place the 'region' on a scale below the state? Secondly, dr. **Joanna Skrzypczyńska** carefully weighs BRICS behavior within this organization as to assess their true potential for agency within this information. In the third article, professor **Adriana Erthal Abdenur & Maiara Folly** provide a careful analysis and forecast on the prospects of institutionalization, focusing on the New Development Bank. Finally, an extensive interview with dr. **Sean Starrs** addresses the emergence of the BRICS *vis-à-vis* the underestimated global power of the United States, arguing that the latter – to a certain degree – *is* the global economy.

⁶ Crocker 2015.

This Global Trend's second part: *In the Shadow of BRICS – Future global actors* will look at "what makes BRICS tick," and identify some opportunities, but mostly challenges for the next echelon of global powers. We stick to reality however, remembering of course the candid words of our consulting editor, Richard Hornik:

"Especially since 2001, when Jim O'Neill of Goldman Sachs came up with his serendipitous acronym, picking the next set of BRICs has become something of an intellectual sport. O'Neill himself has recently come up with MINT (Mexico, Indonesia, Nigeria and Turkey) in an effort that seems more based on spelling an interesting word than rigorous analysis. At last count, pundits had come up with MIST, PINE, CIVETS and EAGLES"⁷

The first article is by the hand of the topic editor, dr. **Rafał Wiśniewski** together with **Brian Hensarling**. Together they apply an updated Cline formula of national power to identify national power potential by extrapolating trends, some of which might become crucial in shaping the global pecking order of the next decade. The next text is an essay by **Richard Hornik** on Vietnam. A bit of surprising choice at first, but following the trends of low-wage industrial labor the author makes a compelling case to look at Vietnam through different eyes. Dr. **Karol Bieniek** then hovers the analytical lens over the Justice and Development Party in Ankara in his article. With prudent purview of the regional power aspirations in regard to the geopolitical landscape the author draws an image of what is within reach of Turkish ambitions and what is not. The last text is an essay by professor **Przemysław Osiewicz**, this time bringing the case of Iran to our attention. The author highlights Iran's potential, but stresses that much of it is lost if the state cannot move out of its isolation.

Lasha Markozashvili
Jeroen Van den Bosch
Rafał Wiśniewski

⁷ Hornik 2014.

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by K. Peichert

"BRAZIL IN MY LENS IS, SADLY, NOT ONLY BEACHES, STUNNING LANDSCAPES AND HAPPY PEOPLE. THERE IS RAGE, POVERTY, AND UNPREDICTABLE GROWTH OF THE MUTANT CITIES (AKA POLITICALLY CORRECT CIDADE SATELITA).

THIS IMAGE WAS TAKEN ONE MORNING WHEN I WAS DOING THE DAILY 5 KM RUN, ON A VERY POPULAR TRAIL SURROUNDING ONE OF THE NEIGHBORING CIDADE SATELITA OF BRASILIA, AGUAS CLARAS. WITH MY EUROPEAN MENTALITY I COULD NOT TELL WHERE THE BORDERS BETWEEN THE SAFE AND TOTALLY UNCONTROLLABLE NEIGHBORHOODS (AKA FAVELAS) BEGIN. THERE ARE OFTEN NONE, AND DIFFERENT GROUPS LIVE NEXT TO EACH OTHER. I DECIDED NOT TO CARE TOO MUCH ABOUT IT, REGARDLESS OF NOTICING THE 5M HIGH ELECTRIC FENCES IN FRONT OF THE HOUSEHOLDS. AND THERE HE WAS, ON A 8-LANE-DRIVE, SURROUNDED BY DIFFERENT KIND OF CARS, A MAN RIDING A HORSE-DRAWN VEHICLE. HE LOOKED SO SURREAL AMONG THESE SKYSCRAPERS AND 4X4S, AS IF HE WAS ONE OF THE FEW UNDERPRIVILEGED REMAINING. ESPECIALLY THAT I'M TALKING ABOUT THE BRAZILIAN CAPITAL, THE RICHEST PLACE IN THE COUNTRY, IF NOT ON THE WHOLE SOUTH AMERICAN CONTINENT. ALSO, AS I LATER LEARNED, THE CAPITAL OF INEQUALITIES.

LOOKING AT THIS CRAZY BRAZILIAN DYNAMICS DURING MY TRAVELS IN 2011 AND 2013, BE IT BRASILIA, RECIFE, NATAL OR SP, I THOUGHT ABOUT THE POSSIBLE CRISIS AND WHAT IT MAY ENTAIL IN THE FUTURE. HAVING PREVIOUSLY SEEN THE DRAMATIC REAL ESTATE BUBBLE IN THE SOUTHERN EUROPE I WAS SOMEWHAT CAUTIOUS. NOT THAT I AM A NATURE-BORN PESSIMIST, I JUST KNOW THAT LEAVING THE CAPITAL IN HANDS OF 1% OF THE RICHEST WILL LEAD TO NOWHERE. WELL, POSSIBLY TO WORLD'S WIDEST ROADS RIDDEN BY MEN ON HORSE-DRIVEN VEHICLES - KATARZYNA PEICHERT

REGIONS, REGIONALIZATION AND BRICS

KISHNENDRA MEENA

abstract

BRICS AS A REGION IS DIFFICULT TO ANALYZE AND JUSTIFY THROUGH THE TRADITIONAL CONCEPTIONS OF REGIONS, WHICH PUT A PREMIUM ON GEOGRAPHICAL CONTIGUITY, HOMOGENEITY AND PLACE THE 'REGION' ON A SCALE BELOW THE STATE. THE POLITICAL ECOLOGY APPROACH WITH ITS LEANINGS TOWARDS THE SOCIAL PRODUCTION OF SPACES AND PLACES AND THE MANDATE TO ANALYZE THE SPATIALITY OF SOCIAL RELATIONS, DOES PROVIDE FOR SUCH REGIONAL FORMATIONS. AS REGIONS ARE DISCURSIVE FORMATIONS, POWER RELATIONS ARE EMBEDDED IN THEM, WHICH FAVOR CERTAIN FORMATIONS OVER OTHERS. RECENT LITERATURE IN GEOGRAPHY AND INTERNATIONAL STUDIES DOES SUBSTANTIATE THAT REGIONS ARE SOCIAL CONSTRUCTIONS.¹ THE REGIONALIZATION PROCESSES UNRAVEL WITH GEOPOLITICAL

1 Albert, Reuber 2007; Neumann 2010; Sidaway 2012.

IMAGINATIONS OF THE CONSTITUENT STATES AND THERE ARE CERTAIN COMMON MOTIVES WHICH TEND TO BRING COHESION AMONG THEM. THE PAPER INTERPRETS THE CONCEPT OF REGION IN GEOGRAPHY AND INTERNATIONAL RELATIONS AND ATTEMPTS TO LOCATE BRICS IN THESE CONCEPTIONS. THE PAPER ALSO REFLECTS ON WHETHER BRICS AS A GEOPOLITICAL IMAGINATION CAN CONTRIBUTE TO THE THEORETICAL CONCEPTION OF REGION. THE RESEARCH QUESTIONS THEN ASKED ARE: IS BRICS A REGION IN THE TRADITIONAL SENSE OF THE TERM? IS BRICS A UNIQUE GROUPING WHICH NEGATES THE TRADITIONAL CONCEPTIONS OF REGION? IS IT POSSIBLE TO EMPLOY CONCEPTS IN CRITICAL GEOGRAPHY AND CRITICAL GEOPOLITICS TO UNDERSTAND THE BRICS AS A REGION? THEREFORE, THE OBJECTIVE OF THE PAPER IS TO EXAMINE WHETHER THE BRICS CAN BE EXPLAINED THROUGH THE TRADITIONAL CONCEPTIONS OF THE REGION OR THEY ARE INSUFFICIENT TO EXPLAIN THE SAME. IN THE CURRENTLY AVAILABLE LITERATURE ON BRICS THERE HAS BEEN HARDLY ANY EFFORT TO INVESTIGATE IT AS A REGION. THE PAPER SEEKS TO ADDRESS THIS GAP IN LITERATURE.

BRICS, GEOPOLITICAL IMAGINATION, REGIONS

keywords

INTRODUCTION

THE GROUPING, BRICS, COMPRISING THE STATES OF BRAZIL, RUSSIA, INDIA, CHINA AND SOUTH AFRICA HAS RECENTLY GARNERED IMMENSE ATTENTION BECAUSE OF ITS UNIQUE NATURE. THE UNIQUE FEATURE OF THE BRICS IS THAT THE CONSTITUENT STATES ARE SITUATED AT DISPARATE LOCATIONS WHICH BELIE

THE TRADITIONAL NOTIONS OF REGIONS AND REGION FORMATION. HOWEVER, EXAMPLES OF SIMILAR GROUPS CAN BE FOUND IN CERTAIN GROUPS CAUSED BY THEIR COLONIAL PAST LIKE THE BRITISH COMMONWEALTH AND THE ORGANIZATION OF FRANCOPHONE STATES. IF THE BINDING FEATURE FOR THESE COUNTRIES WHICH HAD EXPERIENCED SIMILAR COLONIAL LEGACIES WERE CULTURAL CONNECTIONS SUCH AS COMMON COLONIAL HISTORY, THE BONDING WITNESSED IN THE BRICS IS DIFFICULT TO ARRIVE AT. THE PAPER INTERPRETS THE CONCEPT OF REGION IN GEOGRAPHY AND INTERNATIONAL RELATIONS AND ATTEMPTS TO LOCATE BRICS IN THESE CONCEPTIONS. THE PAPER ALSO REFLECTS ON WHETHER BRICS AS A GEOPOLITICAL IMAGINATION CAN CONTRIBUTE TO THE THEORETICAL CONCEPTION OF REGION.

The research questions then asked are: is BRICS a region in the traditional sense of the term? Is BRICS a unique grouping which negates the traditional conceptions of region? Is it possible to employ concepts in critical geography and critical geopolitics the BRICS as region? Therefore, the objective of the paper is to examine whether the BRICS can be explained through the traditional conceptions of the region or they are insufficient to explain the same. The currently available literature on the BRICS, there has been hardly any effort to investigate it as a region. The paper seeks to address this gap in literature.

The paper is divided into four sections: the first two examine the theoretical/conceptual literature on regions in general and in the international system while the last two sections visualize the BRICS among these theoretical/conceptual strands.

REGIONS IN GEOGRAPHY

The etymology of the term 'region' in English stretches back to 14th century when it evolved from the Latin word

regio meaning direction, boundary, or district, linked to *regere*, meaning to direct or rule.² Geography, as a discipline has witnessed a sustained focus on the study of regions but a recurring and constant theme is that regions exhibit homogeneity in terms of various characteristics, and that defines them as regions. Regions in geography are also marked by a peculiar distinction of 'formal' and 'functional' regions. Formal or uniform regions are areas defined by one or more of the features that occur within them³ and presuppose a degree of homogeneity.⁴ The functional region is a geographically delimited spatial system defined by the linkages binding particular phenomena in that area and does not assume any degree of spatial homogeneity.⁵ Which phenomena? That depends on what kind of system we are interesting in.⁶ Relevant examples of functional regions are economic, cultural, political, ecological, etc.⁷

A major defining feature of the study of regions in traditional geography has been to study the uniqueness and character of a region with all the internal causal connections which make it special and differentiate it from others. Therefore, the discipline acquired a descriptive character. Harvey's work here is instructive wherein he succinctly summarizes it while looking at the conceptions of regions for the field of geography, "The 'region' is possibly the most entrenched of all geographical concepts. Within the discipline it has proven the least flexible, mainly because of its central role in those essentialist definitions of the subject which rest exclusively on the study of chorology or regional differentiation."⁸ In general, the region is defined in terms of its homogenous qualities or geographical contiguity and sometimes in terms of its coherent relations between diverse elements.

On the other hand, such simplistic approaches to understand the concept have been discarded in critical geography. The 'region' typically conjures up the idea of a homogenous block of space that has a persisting distinctiveness due to its physical and cultural characteristics. The claim is that it exists 'out there' in the world, even if there is a prior requirement to think that the world is divided up in this way.⁹ Such *a priori* assumptions about the region have been questioned in critical geography.

2 Tomaney 2009: 136.

3 Tomaney 2009: 140.

4 Herod 2011: 127.

5 Herod 2011: 127.

6 Tomaney 2009: 140.

7 Vayrynen 2003: 26.

8 Harvey 2005: 245.

9 Agnew, 1999: 92.

This combination of a claim to real existence and the necessity for prior thought so as to define a region has caused untold problems for those trying to have their regionalization schemes accepted as more ‘real’ than others.¹⁰ It also leads to the unfortunate opposition in contemporary geography between those who claim the mantle ‘real’ for their regions and those who regard all regions as mere inventions of an observer whose definitions say more about the political-social position of that observer than the phenomena the regions purport to classify.¹¹ A long-standing and established feature of the regions is that they unite through the shared and common features. However, this is increasingly put under strain with the reading that regions may divide as well. Agnew cites “one author in a brilliantly evocative text, questions whether we might not be better focusing on regional entities that bring together as well as divide.”¹²



REGIONS HAVE BEEN MORE RECENTLY UNDERSTOOD
AS FLUID AND HISTORICALLY CONTINGENT SOCIAL
CONSTRUCTIONS IN THE REALM
OF CRITICAL GEOGRAPHY

In geography where region forms one of the key concepts of the field, an important theoretical realization since the last three decades has been to understand regions not as *a priori* entities to be studied but to understand them as social constructs enmeshed in the societal and power relations in the system. A New Regional Geography (NRG) is the outcome which claims “that places and regions could be theorized as a combination, and contingent outcome, of the interaction of localized social relations and material conditions with wider processes of capitalist restructuring.”¹³ Perhaps an element of the Marxist understandings of emancipation is visible in the NRG. When examined through the lens of the realist method, the NRG envisioned places and regions as neither fixed territories nor a contingent ‘coming together’ of global flows and networks (which would imply that places and regions had little or no independent causal influence). Rather regions were to be examined as semi-coherent territories within which place-specific causal properties could shape – and in turn were shaped by – the wider dynamics of capital accumulation, state intervention (or withdrawal) and uneven development.¹⁴

10 Agnew 1999: 92.

11 Agnew 1999: 92.

12 Quote from Ascherson (1995) (Agnew 1999: 94).

13 Quote from Massey (Jonas 2012: 265).

14 Jonas 2012: 265.

The dominant strand in geography about the understandings of space and place is the relational approach. The relational approach to regions does lay stress on the binding effect of the regional entities. One theme which is central to relational thinking is the idea that the region represents a contingent ‘coming togetherness’ or assemblage of proximate and distant social, economic and political relationships, the scale and scope of which do not necessarily converge neatly around territories and jurisdictions formally administered or governed by the nation state.¹⁵ Jonas further argues that proponents of the relational approach therefore distance themselves from bounded, static and ahistorical representations of space and place.¹⁶ Regions have been more recently understood as fluid and historically contingent social constructions in the realm of critical geography.

Paasi explains that “the new regional geographers have been interested in the power relations, practices, and discourses through which people, social communities, and classes produce and reproduce ‘regions’ and localities in their daily life through various institutionalized practices, such as politics, administration, economy, education, media, communication, and so on. This complexity shows that new regional geographers often adopt an emancipatory interest.”¹⁷ Though the paper’s emphasis is not on the emancipatory interests, it does point out that regions are beset with social production.

In consonance with the recent approaches on space and place in geography, it is possible to surmise that the acceptance of relational approaches to the study of regions is widespread in academia. However, the applicability of the concept of region in geography to the study of regions in the international system is still in its early stages barring a few notable exceptions.¹⁸ The next section looks at some of this work in geography on supra-national regions with particular focus on the old and new regionalisms or at the scale above the state.

15 Jonas 2012: 263.

16 Jonas 2012: 263.

17 Paasi 2009a: 221.

18 Agnew 1999; Paasi, 2009; Paasi 2009a; Jonas 2012; Sidaway 2012.

REGION' IN THE INTERNATIONAL SYSTEM

The significance of territory and bounded spaces in the international system cannot be underrated, even in the present age of global flows, as the territorially bounded state is the primary actor and the regionalization process further involves the bounded states in their fold and the regional structures acquire a territorial character. Paasi highlights the issue with reference to regions and territories:

“It is obvious that in spite of accelerating globalisation, the rise of networks, flows of immigrants and refugees, internet, the borderless world thesis, and the poststructuralist or post-nationalist literature that have challenged the national state, the contemporary world is still a complex constellation of more or less bounded spaces that exist at various spatial scales. These spaces are ‘regions’ or ‘territories’. All territories are regions but not all regions are territories. By definition a territory differs from a region in that its boundaries and the resources therein are under the control of people. Such control is an expression of territoriality. Territoriality is not a constant but a political, spatiallyselective strategy that can be exercised or not”¹⁹

Thus the bounded-ness of territory still plays a significant role in spatial conceptualizations at various scales. Tremendous amount of focus has been accorded to the system of states and its territorial nature whereas regions are as territorial in nature as states are, but not sufficient attention has been given to the territoriality of regions. Nonetheless, it is a group of states which imagine themselves together for geopolitical, economic and cultural reasons. Paasi’s clarification on the nature and constitution of old regionalism is instructive here as he takes the debate back to the 1930s with references to the protectionism during that period and attributes cultural and social qualities to it along with economic nature of regionalism. Originally regionalism was important in cultural fields like art, literature and architecture and was thus related to regional identity and consciousness, and cultural performance.²⁰ In this explanation, the region with its geographical explanation also carries the connotations of culture and art in general.

The Second World War is a water-shed in regional studies as it is marked in geopolitics by the process of decolonization which followed soon after the war. The empirical evidence and impetus was “from the

first wave of development of the European Economic Community and de-colonization processes which saw the creation of (albeit now defunct) bodies such as the East African Common Market.”²¹ The Cold War with its bipolar structure played a significant role in shaping the regional integration during the period after the Second World War, wherein integration too had a significant imprint of the geopolitics of the superpowers. During the Cold War, bipolarity and nuclear weapons created contextual effects that contributed to the emergence of a semi-global system. In Europe, in particular, extended US nuclear deterrence and Soviet political-military control of its eastern half limited the autonomy of individual states and made them parts of a larger whole.²² The expression ‘old’ or ‘first’ regionalism refers to the first post-World War II initiatives of integration that took place in Western Europe – hence it does not refer to the *traditional* cultural and literary regionalism.²³ This adds another layer of distinction to the study of regions with the addition being the traditional or cultural regions in the international system.

On the other hand, new regionalism is identified with the geopolitical re-arrangement of the global space after the end of the Cold War. One of the most salient features of the international order that has gradually replaced the sharp Cold War divide has been the rise of ‘new regionalism’. A boom of regionalisms and regionalist projects have occurred worldwide since the late 1980s, the EU only being the most significant example.²⁴ While old regionalism emerged along with the rise of European integration, new regionalism has gained currency in the context of globalizing region system.²⁵ A clear link between the new forms of regionalization and the spread of the neo-liberal global capitalism is visible through the work of Anssi Paasi and John Agnew.

In the context of new regionalism, Breslin and Higgott²⁶ make the distinction between regionalism and the process of regionalization. In this discourse, then, regionalism connotes those state-led projects of cooperation that emerge as a result of intergovernmental dialogues and treaties.²⁷ Regionalization refers to those processes of integration which, albeit “(...) seldom unaffected by state policies,” derive their driving force “from markets, from private trade and investment flows, and from the

19 Paasi 2009: 124.

20 Paasi 2009: 127.

21 Breslin, Higgott 2000: 334.

22 Vayrynen 2003: 28.

23 Paasi 2009: 127.

24 Paasi 2009: 126.

25 Paasi 2009: 127.

26 Breslin, Higgott 2003.

27 Breslin, Higgott 2003: 344.

policies and decisions of companies.”²⁸ The regionalization processes are driven more by the economic motives and the market, rather than being purely state driven.

Regions increasingly have formed an important part of the larger process of globalization, whether in opposition to the forces of globalism or in correspondence with the same. Breslin and Higgott²⁹ while emphasizing the link follow three caveats:

- a) relates to the fact that, when studying regionalization especially, the notion of the boundary or perimeter of a region can, by default or design, be fuzzy. It can often be the case that there is no treaty that stipulates which states are in and which are out.
- b) concerns the way in which we map economic space and political space. Care should be taken to avoid strict national, or sovereign, parameters in identifying regionalization. In addition to looking for a correlation between the national state and regional membership we should also examine which groups or classes of actors are involved in processes of integration. The creation of transnational class alliances that integrate elites, but usually not the wider populations of a given country, is the key here.
- c) relates to the acceptance of false dichotomy regarding the role of states in the regionalization processes. The focus of a lot academic research is that organization of production is largely based within and among firms with tremendous flexibility and states play a minimal or only the observer’s role. Fortunately, most analysts do now recognize that, even where non-state actors play the leading role in promoting micro-regional integration, state actions and decisions continue to play important roles.³⁰

A cache of similar ideas are emphasized in the work of Agnew³¹ wherein the focus is the gradual transformation of the world economy and the resultant spatial changes occurring at the global level. “These debates are all very well but they do not engage with the changing character of the world economy and how it is redrawing the regional map of the world. From one point of view this involves the re-emergence of a mosaic of mesoscale

28 Breslin, Higgott 2003: 344.

29 Breslin, Higgott 2003.

30 Breslin, Higgott 2003: 346.

31 Agnew 1999.

regional economies, organized largely with respect to metropolitan areas, bypassed since the nineteenth century by a global system of national economies.”³² The networks of the intense interconnections of the urban areas around the world have acquired increased salience.



REGIONS INCREASINGLY HAVE FORMED AN IMPORTANT PART OF THE LARGER PROCESS OF GLOBALIZATION

Concluding this interesting piece on regions and regionalization in the world system, Agnew reminds us of the *territorial trap* which works across and is embedded into the regionalization processes operating at the international system. The old meta-geographies rely largely on inserting national units into compact regions. But what if the emerging shape of the world economy is one in which widely dispersed centers connect together in networks of flows and power that resist ready categorization into neat world-regional units?³³ This hinges on the realization that the world economy acquires a new spatiality not only by the regionalizations, which happen on the basis of the networks of the state but also due to many other new forms of economic and social interactions which happen due to the increasingly global character of the economy.

Regional schemes are never simply intellectual. Neither are they simply political. They play with facts about the world at the same time they must reflect the biases, intellectual and political, of their originators.³⁴ But at long last the ways world-regional schemes have been invented and imposed are attracting much needed attention. What remains is to sort out more satisfactorily the philosophical basis to our exploration of such schemes.³⁵ Critical geopolitics with its ontological emphasis on spatial construction of dangers provides for analysis for such regionalization. The following section looks at the new economic group, BRICS, and whether the concepts and processes discussed in the previous sections are relevant to understand the group.

32 Agnew 1999: 94.

33 Agnew 1999: 95.

34 Agnew 1999: 95.

35 Agnew 1999: 95.

BRICS AND REGIONALIZATION

“The strengthening of regional imaginations and levels of political authority beyond the nation-state also demonstrates the way in which the spatial organisation of politics – in the sense of spatial constructions, representations and imagined communities – is not only an inherent element of ongoing political change, it rather also seems to be one of its most challenging structuring principles. It might thus be crucial to analyse and deconstruct the spatial logics underlying emerging forms of global governance and, in this context, new forms of regions and regional integration. Particularly the acknowledgment of the important and possibly even constitutive role which regions play in the emerging structures of global governance, or indeed a ‘global polity’, thus directly also leads to a rejection of simplifying neoliberal ‘globalist’ images and narratives of a global equality emerging as a result of globalisation, and rather highlights the fact that political, social, and economic disparities can be expected to be more and more represented on a regional rather than on a national level.”³⁶

Following Albert and Reuber’s ideas on the recent spate of regionalizations at the international level, three criteria for spatial organization of politics can be identified: spatial constructions, representations and imagined communities. Applying these three themes to the BRICS, it can be surmised that the group is a spatial construction and a result of the spatialized social relations, manifested in the ever-increasing economic activity occurring due to the current phase/process of neo-liberal global capitalism. The spatiality of these social relations is a consequence of the meta-labels, which have been established by repeated usage of the terms like the emerging economies, rising powers and anchor countries. Such terms, as James Sidaway³⁷ argues, allow for particular imaginations on the basis of the similar levels of development and the global academic and social language referring to these states tends to club them together as members of the labels mentioned above. He explains: “But a huge variety of other regional communities of states have been established in recent years, widely held to be inherent features of the *Weltgeist*. They are thereby often described as responses to putative ‘globalisation’ or as a feature of the post-Cold War world.”³⁸

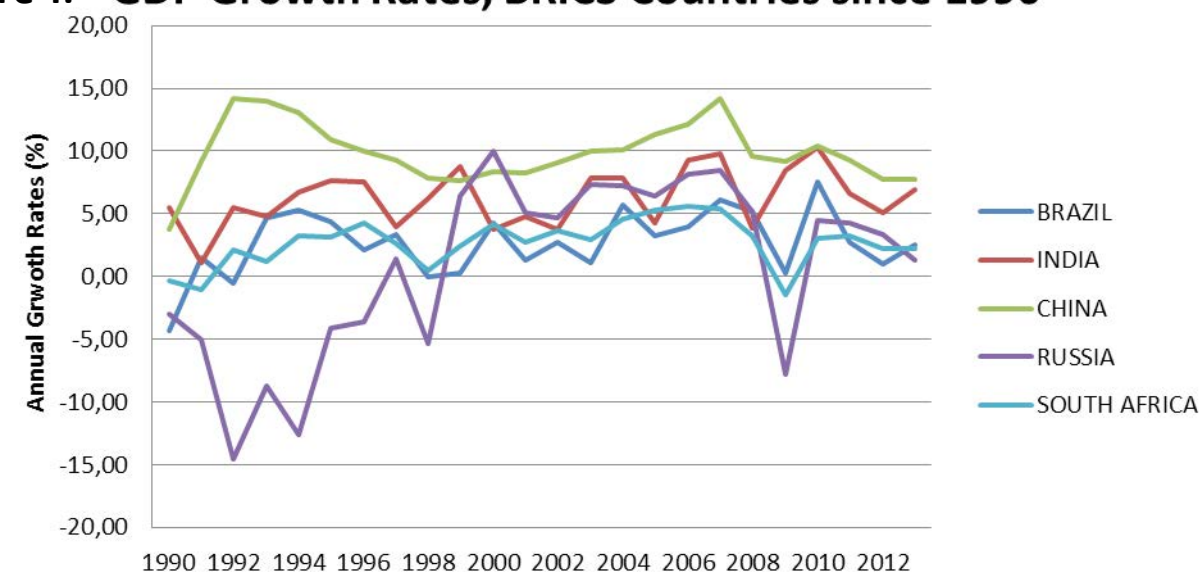
³⁶ Albert, Reuber 2007: 551.

³⁷ Sidaway 2002.

³⁸ Sidaway 2003: 5.

An important aspect of the conception of the regions is that they are considered to be having similar features or are homogenous to be identified as a region. In looking for similarities among the BRICS countries, two important aspects can be highlighted, 1) BRICS states are regional powers in their respective regions and 2) BRICS states individually are products of the recent phase of globalization and its allied processes. The second aspect refers to the benefits and prosperity which the BRICS states have accrued due to the liberalization of their economies – especially China, India and Brazil – and therefore, perhaps, have similar notions of the globalization and related processes. A careful look at the Gross Domestic Production growth rates of the BRICS states since 1990 (except China which started the liberalization of the economy in the 1980s) reveals the extent of growth these states have achieved. Figure 1 illustrates the economic growth achieved by the BRICS states during this period. The recent phase of globalization and liberalization is roughly co-terminus with the end of the Cold War.

Figure 1. GDP Growth Rates, BRICS Countries since 1990



Source: Worldbank.org 2015.

Recent attempts to conceptualize region have stressed the value of establishing its connections with space and place.³⁹ Thus, the constituent states of the BRICS are able to visualize themselves together in spatial terms due to the overarching phenomenon of globalization. More evidence for

³⁹ Meena 2013: 586.

the regionalization processes operating at the BRICS level can be identified in the economic sphere. Table 1 illustrates the extent of growing trade among the BRICS nations for the last two fiscal years that is 2011-2012 and 2012-2013.

Table 1. Intra-BRICS Trade for 2012 and 2013
(in billion US\$)

	2012					2013				
EXPORTER	Brazil	China	Russia	India	South Africa	Brazil	China	Russia	India	South Africa
Brazil		41.2	3.1	5.6	1.8		46.3	2.85	3.13	1.84
China	33.4		44.1	47.7	15.3	36.20		49.60	52.24	16.83
Russia	2.3	35.8		7.6	0.3	1.98	35.63		4.23	0.29
India	6.2	14.7	2.1		5.0	6.12	16.42	2.42		5.74
South Africa	0.8	10.1	0.4	3.7		0.66	12.06	0.40	8.88	
Subtotal	42.7	101.8	49.7	64.6	22.4	44.96	110.41	55.27	68.48	24.7
TOTAL	281.2					303.2				

Source: **2012** data based on Brazil's Ministry of Foreign Relations (Trade Intelligence Division).
2013: Author's compilation from official websites of BRICS countries.

A cursory look at spatial representations at the global level from a regional perspective reveals that the linkages from the literature on regions in geography can be useful. For instance Allen et al.⁴⁰ lay down two principles to define/conceptualize a region; first, it embodies a strongly relational approach to thinking about space and place. That is, it understands both space and place as constituted out of spatialized social relations – and narratives about them – which not only lay down ever-new regional geographies, but also work to reshape social and cultural identities and how they are represented. Second, it acknowledges that such studies are always done for a purpose, with a specific aim in view. Whether theoretical, political, cultural or whatever, there is always a specific focus.⁴¹ Both the aforementioned principles of conceptualizing space are applicable

⁴⁰ Allen et al. 2002: 2.

⁴¹ Allen et al. 2002: 2.

to the BRICS as a group. For the BRICS countries, the relevant socio-spatial categories prior to the recent phase of globalization were the 'Third World,' developing economies and the global South or that is how they were represented.

The notion of relational space is present in the vague generalizations which stress meta-geographical divisions of the planet. The initial narrative was that they were striving for the levels of development already achieved by the west and following similar linear models of growth and development. But in many instances these categories were the 'other' of the global North, the West and the First World. Hence, they were relational categories.⁴² The current narrative about the BRICS' economies reflects the concerns of globalization and calls them 'rising,' 'emerging' or 'anchor countries' and denotes a new spatiality. Sidaway⁴³ argues in the same article that such categories are not innocent and have many motives behind them. In the case of the BRICS, the motives are clear from the fact that the term BRIC was conceptualized by a business consultancy firm. The BRICS were an analytical concept, a futuristic projection, an investment strategy and a slick acronym well before they became a group of states.⁴⁴ The genesis of the BRICS can be found in the attempt of Goldman Sachs, the US multinational investment banking firm, to predict the future path of global capitalism.⁴⁵ Thus, there is a purpose behind such regionalization schemes. Furthermore, as Neumann argues, taking cue from analysis through discursive formation of the region, that "practices and discourses construct regions through institutionalized processes and reflect asymmetrical power relations."⁴⁶

GEOGRAPHICAL/GEOPOLITICAL IMAGINATIONS AND THE BRICS

Harvey explains the presence of geographical imagination as pervasive in human life and asserts that:

⁴² Sidaway 2012: 49-50.

⁴³ Sidaway 2012.

⁴⁴ Sahni 2013: 571.

⁴⁵ Sahni 2013: 572.

⁴⁶ Neumann 2010: 369.

“This “spatial consciousness” or “geographical imagination” was manifest in many disciplines. Architects, artists, designers, city planners, anthropologists, historians, sociologists, political scientists, psychologists, ecologists and economists as well as geographers and philosophers have all appealed to it (...)”⁴⁷

Further, he calls for a combination of the geographical imagination with a sociological imagination to understand reality better. “The relations between social processes and spatial forms needed to be better understood as a prerequisite to well-grounded critical research on urbanization, modernization, diffusion, migration, international capital flows, regional development, uneven geographical development, geopolitics, and a host of other subjects of considerable importance.”⁴⁸

Though Harvey’s imaginations refer to the individual, such geographical imaginations can be constructed at the level of nations, as evident from the work of Benedict Anderson titled *Imagined Communities* (1983). Furthermore, it is possible to imagine such communities at the international level as a globalized world and an intense flow of information, commodities, ideas and people facilitates such imagination. “Something in Anderson’s thesis might be applied to thinking about certain international communities, such as the (re)invention of Europe in the form of the European Union.”⁴⁹ This has not escaped other observers. Expressing it simply, Andrew Hurrell says that: “As with nations, so regions can be seen as imagined communities which rest on mental maps whose lines highlight some features whilst ignoring others.”⁵⁰ The BRICS are also one such geographical imagination where the constituent states have been able to identify/ recognize the relationship among them and they have been able to forge a group based on certain common characteristics and features. As pointed out earlier, owing to their recent economic growth these states together have been referred to as the ‘emerging economies,’ ‘anchor countries,’ etc.

Another very significant and common feature which provides a bonding for the constituent states of the BRICS is that they are regional powers in their respective states *viz.* India is a regional power in South Asia, China in East Asia and larger Asia, Brazil in South America, Russia

47 Harvey 2005: 212.

48 Harvey 2005: 212.

49 Sidaway 2003:11.

50 Quote from Hurrell (1995) (Sidaway 2003:11).



IN THE CASE OF THE BRICS, THE DOMINANT SOCIAL ACTIVITY IS THE RECENT PHASE OF GLOBALIZATION

still enjoys considerable clout in Eastern Europe and South Africa is undoubtedly is a regional power in Southern Africa. Owing to such common traits there is a sense among them that they are undergoing similar levels of development and growth, which in turn leads them to negotiate the environmental issues together whether through the G-77, BASIC or the IBSA,⁵¹ at various UN forums including the WTO, UNEP, COPs and the CBDs.⁵² However, Russia is excluded in such discussions because of the high level of development it has acquired compared to the other BRICS countries. Recognition of these commonalities, in turn, creates the common ground for the members to forge a group and helps to distinguish it from similar entities, in this case, the West. Such arguments can at least be substantiated theoretically, “each form of social activity defines its own space.”⁵³ Thus, in the case of the BRICS, the dominant social activity is the recent phase of globalization. BRICS are still a very unique group for the peculiar qualities mentioned above and the fact that these are countries with very disparate locations around the world.

Harvey further presses the issue about globalization’s impact upon various imaginations of space, “Globalization (however it is construed) has forced all sorts of adjustments into how the sociological imagination (if such a coherent concept is still viable) can now work. It cannot, for example, afford to ignore the basics of political-economy nor can it proceed as if issues of national and local differences, space relations, geography and

51 BASIC: Brazil, South Africa, India and China – a group of 4 newly industrialized countries formed in 20-11-2009 by agreement to increase their leverage at various international forums. (Editor’s Note – JvdB)

52 United Nations Environmental Programme; Conference of the Parties within the Convention on Biological Diversity (CBD). (Editor’s Note – JvdB)

53 Harvey 2005: 214.

environment are of no consequence.”⁵⁴ Thus globalization has shaped the spatiality owing to its pervasive nature and such spatiality is also reflected in the way the BRICS have been formulated as a geopolitical group. Such arguments have resonance with the ‘geopolitical imagination’ explained by John Agnew while explicating theories of traditional geopolitics.



BRICS COULD BE A GEOPOLITICAL IMAGINATION
WHICH HAS THE POTENTIAL TO BE PRACTICED
AS A GLOBAL GEOSTRATEGIC DESIGN

Critiquing the geopolitical theorizing by the likes of Halford Mackinder, Mahan, Haushofer and Spykman, Agnew labels such attempts as geopolitical imagination and visualization and suggests they are a defining feature of modernity which is exemplified by two elements: 1) that the world is seen as a picture, as an ordered structured whole, separated from the self who is viewing from the world, and 2) the world pictured beyond the horizon is a source of chaos and danger.⁵⁵ If the geographical spread of the BRICS constituent countries is an indication, the BRICS are a geopolitical construct in the traditional geopolitical mold. A careful inquiry of the BRICS summit declarations attests to this notion, as the statements at the end of each of the six BRICS summits held so far have displayed a gradual evolution toward inclusion of security as a vital concern of the BRICS. The First Summit at Yekaterinburg in 2009 listed as its main concerns the global financial crisis, global environmental problems, reform of global financial institutions, energy security, terrorism and protection of human rights.⁵⁶ Fast forward to the Fifth BRICS Summit in Durban⁵⁷ and the eThekweni declaration⁵⁸ declarations have strong and clear geopolitical undertones. Beginning with a call for global peace and security in statement 1 to statements 21, 22, 24, and statements 26 to 33, the intention is to address issues ranging from the UN’s role in ensuring international peace and security, the role of the UN peacekeeping forces in Africa, the security situation in Syria, Palestine, the Iranian nuclear issue, Afghanistan, Mali, DRC, to international terrorism.⁵⁹ The sixth BRICS summit to be held in Fortaleza, Brazil in 2014 was more explicit in making the geopolitical nature of the group more clear.

The geographical location of the BRICS countries makes it safe to

assume that BRICS have a global reach. It also comfortably dovetails with the traditional geopolitical theories of ‘heartland’⁶⁰ and ‘rimland.’⁶¹ A brief exposition will clarify and make evident the suspicion that BRICS could be a geopolitical imagination which has the potential to be practiced as a global geostrategic design. The concepts of heartland and rimland, it is alleged, formed a geostrategic background for the containment policy of the United States during the Cold War.⁶² BRICS constituent countries span four continents. Russia is present in both Europe and Asia and increasingly there is a movement that supports the idea of Eurasianism/Neo-Eurasianism after the leading geopolitical thinker Alexander Dugin.⁶³ The heartland is purely Eurasian in its geographical expanse.⁶⁴ China comprises the rimland, the concept entailing the coastal states of the larger Eurasian continental landmass spanning from the Western European coast to the Kamchatka Peninsula in North eastern Russia.⁶⁵ The third Asian component of the BRICS is India, which also forms a part of the rimland. This troika of Russia, China and India geographically dominate the largest continental landmass on earth, due to their respective size ranking 1st, 4th and 7th in terms of their areal expanse in square kilometers.⁶⁶ Russian military capabilities are still formidable after the collapse of the Soviet Union, whereas India and China are recorded in 2012 as the biggest buyers of defense and military equipment with India accounting for 12% of the global imports in arms and China procuring 6% of the global imports⁶⁷ adding to their already established military capabilities.

South Africa utilizes its pre-eminent status on the African continent to mediate and facilitate the investment for resource extraction and development. This was evident in the 5th BRICS Summit in March 2013, when many African governments were invited to interact with the representatives of the BRICS countries. South Africa projects itself as a gateway to Africa. The summit itself was christened as “BRICS and Africa: Partnership for Development, Integration and Industrialization” to attract investments in the fields of development and industrialization in Africa and subsequently many schemes for investment in Africa were announced during the summit.⁶⁸ South Africa tops the list of arms buyers on the

54 Harvey 2005: 215.

55 Agnew 1998.

56 President of Russia.

57 BRICS 2013b.

58 BRICS 2013a.

59 BRICS 2013a.

60 Mackinder 1943.

61 Spykman 1942.

62 Gerace 1991: 347.

63 Shekhovtsov 2009: 697.

64 Mackinder 1943: 597.

65 Spykman 1942.

66 CIA 2014.

67 Sinha 2013.

68 BRICS 2013a.

African continent and exerts considerable influence in the affairs of the continent as does Brazil. These two states are in no sense marginal to global geopolitics and have played an important role in debates surrounding the status of the global environment and have been influential in multilateral diplomacy on these issues.

Brazil and South Africa, the southern hemisphere components of BRICS, form parts of the Outer or Marginal Crescent in the geopolitical schema of Mackinder, whereas they form parts of the “Three Islands” in the terminology of Spykman.⁶⁹ In both the geopolitical schemes these two BRICS countries are accorded a marginal status. Brazil ranks fifth in terms of the areal expanse of a state and South Africa ranks 25th in terms of its area in square kilometers. An important feature of both these states is that they also dominate their respective continents in terms of their military capabilities and influence and could safely be considered as the most powerful states in their respective regions.

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THE DEFINING RELATIONAL ELEMENT OF THE
BRICS IS THAT THEY HAVE RECENTLY BECOME
CAPABLE OF PROVIDING SOME SEMBLANCE OF
GLOBAL GOVERNANCE TO
THE DEVELOPING WORLD

The VI BRICS Summit in Fortaleza, Brazil was held from 14th to 16th July, 2014. The theme chosen for the summit was “Inclusive Growth: Sustainable Solutions.”⁷⁰ In Brasília, on the 16th, a working session was held between the Leaders of BRICS and the Heads of State and/or Government of South America.⁷¹ The dialogue between BRICS Leaders and their South American counterparts reflects the priority accorded to developing countries in the BRICS outreach strategy.⁷² This is in consonance with the BRICS geopolitical strategy to achieve the status of an alternative platform for the problems related to the developing economies. The major achievement of the 2014 BRICS summit was that “the Summit adopted the Fortaleza Declaration and Action Plan, the Agreement on the New Development Bank (NBD), the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement (CRA) and agreements among BRICS

69 Spykman 1942.

70 BRICS 2014.

71 BRICS 2014.

72 BRICS 2014.

Development Banks and Export Credit Insurance Agencies.”⁷³ The CRA is an additional line of defense available to the BRICS countries in scenarios of Balance of Payments’ difficulties. The NBD will finance infrastructure and sustainable development projects.⁷⁴

Therefore, an argument can be made from the traditional geopolitics perspective of the BRICS being present at strategic locations vis-à-vis the West. The relative geopolitical isolation of the United States is perhaps threatened by the location of Brazil in the western hemisphere and in Latin America, south of the US. Furthermore, the overt engagement of the Chinese in the BRICS grouping creates a hitherto unknown dimension in traditional geopolitical thinking.

CONCLUSION

The dominant understanding of regions in the field of geography is that regions display a certain degree of homogeneity in their constitution through common traits and features. In some instances, regions are defined by their functional linkages in the form of nodes and network which is translated into homogeneity. However, many scholars point out that there has been a flawed acceptance of the concept of region as in many cases, the conceptualization of region has been purely on the basis of the certain given notions about the region which exist in the minds of the people. In the 1970s and 1980s, in line with the general trend of the social sciences, the study of the regions, regionalism and regionalization also adopted the means and methods of social constructivism. The trend continued with the rise of new regionalism which followed the disintegration of the Soviet Union and the gradual inception of neo-liberal global capitalism into the world economic system.

Some scholars further developed the earlier themes and stressed on the value of understanding the world through the presence of territorial networks, global assemblages and networked cities and space of flows. This was underlined by the realization that spaces in general and regions in particular are more clearly legible through the relational understanding of space. The relational approach rests on the premise that proximate and

73 BRICS 2014.

74 BRICS 2014.

distant social, political and economic relations create assemblages which might not always conform to the territorial notions of the nation and the state and can group together at any scale.

Regions in the international system remain in the territorial conception rather than the relational conception as they are constituted by a group of states with territorial configuration. However, in the case of the BRICS, the relational aspect of regionalization is manifest as the BRICS states visualize themselves together in the globalized world even though they are not territorially contiguous. The underlying relational nature of the BRICS is that they are products of globalization and are regional powers in their respective regional locations. Such geopolitical imagination has resulted in strategic regionalization for the BRICS vis-à-vis the West because the defining relational element of the BRICS is that they have recently become capable of providing some semblance of global governance to the developing world.

The setting up of the New Development Bank for loans to the developing countries with less stringent conditions than the IMF and the World Bank plus the Contingency Reserve Fund for the BRICS states in times of crisis provides a relational challenge to the West. In the long run, it is possible that the BRICS Bank may provide the infrastructural support that the developing world needs the most. Still, the success of such ventures by the BRICS depends on the competitiveness vis-à-vis the established institutions of the West and the inclusiveness in the decision making processes within the BRICS, because at the present moment the Chinese influence on all the upcoming institutions of the BRICS is very huge, which partly is a result of the massive proportion of Chinese funding in these institutions. There is also a possibility of undermining the BRICS structure due to the recent creation of the Asian Infrastructure Investment Bank (AIIB) again under Chinese tutelage and which has been endorsed and joined by many European countries including the United Kingdom, France and Germany, the three European economic powerhouses.

In hard geopolitical terms the BRICS challenge the West through the geographical presence of the BRICS states in all the major continents of the world. Russia, owing to its huge size, is present in both Europe and Asia; China is the regional power in Asia; and the three states of India, South Africa and Brazil are regional powers in the continents of South Asia, Africa and South America respectively. It is through such critical geopolitical deconstruction of the BRICS, that they can be understood to be a hard geopolitical grouping. The geopolitical imagination is possible through the relational conception of the state.

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by S. Paz

THE CITIES ARE UNABLE TO CONTROL THEIR DEVELOPMENT AND PEOPLE DO NOT RESPECT THE PLACES WHERE THEY LIVE. NOBODY IS ABLE TO MANAGE THE RUBBISH. SEGREGATION AND RECYCLING ARE THE JOB FOR PEOPLE COMING FROM THE LOWEST SOCIAL STRATA, FOR WHOM IT IS THEIR ONLY SOURCE OF INCOME (SHIMLA, STAN HIMACHAL PRADESH, 2015).

BRICS'

STANCE IN WTO

JOANNA SKRZYPCZYŃSKA

abstract

BRAZIL, RUSSIA, INDIA CHINA AND SOUTH AFRICA WITH LARGE DOMESTIC MARKETS AND GROWING ECONOMIES PLAY A VERY IMPORTANT ROLE IN THE GLOBAL ECONOMY. THE MOST IMPORTANT FORUM IN THE MULTILATERAL TRADE SYSTEM, WHICH SHOWS THE ROLE OF THE BRICS MEMBERS AS AN INTERNATIONAL PLAYERS, IS THE WORLD TRADE ORGANIZATION (WTO). THE PURPOSE OF THIS ARTICLE IS ANALYSIS BRICS COUNTRIES PARTICIPATION IN THE MULTILATERAL TRADE REGIME INCLUDING THE DOHA ROUND NEGOTIATIONS. ANOTHER AIM IS TO DESCRIBE THE GOALS OF BRICS COUNTRIES IN WTO AND ANSWER THE QUESTION IF BRICS COUNTRIES SHARE THE COMMON INTERESTS AND VALUES IN WTO?¹

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WTO, TRADE RELATIONS, BRICS, DOHA
NEGOTIATIONS

keywords

One of the most striking features of the global economy in recent years has been the significant role played by developing countries. Amongst them are Brazil, Russia, India China and South Africa which, with large domestic markets and growing economies, play an increasingly important role in the global economy.

The purpose of this article is the analysis of the BRICS countries' participation in the multilateral trade regimes, including the Doha Round negotiations. Another aim is to describe the goals of BRICS countries in the WTO and answer the question if BRICS countries share common interests and values in the WTO. It is worth to note, that membership in the WTO can be an important source to identify the areas where economic cooperation is possible as well as where the BRICS interests are competing.

This paper focuses on two pillars: BRICS' participation in WTO negotiations groups and BRICS' stance in Doha Round, especially on problems in the main negotiations regarding agriculture. The first part of this text will show BRICS' activity in the WTO group and to evaluate whether the BRICS countries have created a strong and independent formal negotiation group under WTO rules. The second step is to show if BRICS have any common interests, hence, if these countries can cooperate on common issues.

To examine BRICS' cooperation the following assumptions can be made: Cooperation between the BRICS, initially symbolic, has been turning into a more institutionalized form (BRICS summits). This cooperation is developing deeper political and strategic relations that create a new structure within global governance. First of all, this article examines the symbolic meaning of BRICS, which can be observed in the WTO, e.g. the new WTO Director General is from Brazil. Secondly, the text will focus on the strategic partnership which has been visible during negotiations, for instance when BRICS created the G20 group.

Thirdly, the author will assess if this political and strategic cooperation is in some way similar to the EU-US partnership, hence: a strategic cooperation despite having competing interests in given issues.

BRICS AND THE WTO

The acronym BRIC was first used in 2001 by Goldman Sachs in their Global Economics Paper No. 66, “Building Better Global Economic BRICs.”² In 2006, the four countries initiated a regular coordination with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA). The bloc has been enlarged as South Africa joined the group during the BRICS Summit held in Sanya in China (April 2011).³

Have rising powers such as Brazil, India, China and Russia (BRICS) and later South Africa created a coalition in the WTO? Since John O’Neill from Goldman Sachs published his work about a new powerful BRIC economies, the discussion on these countries is still vital. In many regards, the WTO must continue to work in different circumstances as BRICS countries now seem to dominate in the multilateral trading system. The New Rising powers created a new situation in the global economy and are a challenge for Western countries and their interests in WTO.

On the one hand, there are not many common points between the BRICS countries and their cooperation is sometimes called “a marriage of convenience rather than a real partnership for change.”⁴ According to Cameron it was debatable whether the BRICs have anything more in common than their size and economic potential.⁵ On the other hand, even if their domestic economies are different, at the same time they are complementary. Brazil and Russia are strong in the commodity and natural resources sectors, while China and India are net importers in these areas. China and India are also known for low labor costs and human capital. China dominates the manufacturing sector. India is specializing in services, especially in business process outsourcing but also in production of textiles, generic pharmaceuticals and software engineering.⁶ Russia, Brazil

² O’Neill 2001.

³ VI BRICS Summit.

⁴ Fioramonti 2014.

⁵ Cameron 2011: 3.

⁶ Roubini 2009.

and South Africa are exporters of natural resources, while Brazil, next to the EU and US, is also one of the world’s major exporters of agricultural products. China and Russia then are major importers of these products.⁷ Brazil, China, India, the Russian Federation and South Africa collectively controlled 16.3% of global merchandise trade in 2011, and individually ranged from 0.6% (South Africa) to 9.9% (China).⁸



THE WTO MUST CONTINUE TO WORK
IN DIFFERENT CIRCUMSTANCES AS BRICS
COUNTRIES NOW SEEM TO DOMINATE IN THE
MULTILATERAL TRADING SYSTEM

The World Trade Organization is one of the most important institutions in the multilateral trading system, which enhances the role of the BRICS members as international players. The WTO is an organization for, among other things, trade opening, agreements negotiations, dispute settlement as well as for operationalizing trade rules. Essentially, the WTO is the place where member governments try to sort out any trade problems they face with each other.⁹ Most decision-making in the WTO is based on bargaining and consultations.¹⁰

The WTO is currently host to the latest (ongoing) negotiation round, under the ‘Doha Development Agenda’ launched in 2001 in Doha, Qatar. By virtue of the Doha Development Agenda (DDA), the negotiations were supposed to be concluded by the end of 2004. Despite the ambitious agenda of the negotiations, the WTO members failed to meet the deadline settled in Doha. Agricultural negotiations, ‘Singapore issues’ (see below), generic medicines and the treatment of developing countries turned out to be particularly difficult and time-consuming. Despite the efforts of the WTO members, the 5th Ministerial Conference in Cancun, Mexico (2003), which was the midpoint of the Doha negotiations, failed to solve the most controversial issues.

⁷ EC 2013.

⁸ Van Grasstek 2013: 31.

⁹ WTO 2015: 7.

¹⁰ Hoekman, Kostecki 2013: 65.

The main reason for the breakdown of the Cancun negotiations was the very determined approach of some developing countries, which united and voiced their interests as the G20 group for the first time in the WTO forum. Brazil, India and China jointly decided to reject the proposal of the US and EU regarding agriculture, which was offered as the last possible concession of these members to break the deadlock of the round at the Cancun Ministerial Conference.¹¹ They also refused to include the 'Singapore issues' in the Doha negotiations. The Singapore issues are the four proposals concerning the global rules of investment, competition policy, introduction of trade facilitation and transparency in government procurement. These negotiation issues have only been on the WTO agenda since the mid-90s. The well developed members like the US, EU, Japan were very eager to start negotiations on the Singapore criteria as they would provide uniform principles of investment, which would, in turn, increase the value of direct foreign investment.¹²

BRICS AND OTHER GROUPS IN THE WTO NEGOTIATIONS

Brazil, India and South Africa joined the WTO after the Uruguay Round, which was completed on 1 January 1995. China's first application for GATT membership was submitted in 1986 while the application of Russia was made in 1993. As a result of the negotiations, China finally became a member of the WTO in 2001 and Russia in 2012.

With the accession of the BRICS countries (especially China) to the WTO, developing countries have gained strong representatives and defenders of their interests. According to Lin Guijun and Tang Bi: "developing countries are hoping that China will be able to strengthen their own bargaining power within the WTO and will be their representative in pushing for WTO reform."¹³ BRICS, excluding Russia, belong to the "Developing countries" group in WTO, which comprise a majority of the organization's membership. They are grouped as "developing countries" and "least developed countries." What is worth to underline there are no WTO definitions to identify "developed" or "developing" countries. Members announce for themselves whether they belong to the former or the latter

under some conditions.¹⁴ It is also crucial that "as developing countries in the WTO, Brazil, India and China enjoy a certain flexibility on the level and type of agricultural support that is subject to WTO limits. Russia, as a developed country, does not enjoy the same flexibility."¹⁵



WITH THE ACCESSION OF THE BRICS COUNTRIES TO THE WTO, DEVELOPING COUNTRIES HAVE GAINED STRONG REPRESENTATIVES AND DEFENDERS OF THEIR INTERESTS

Achieving consensus among 160 countries is very difficult. WTO members have developed various mechanism to limit the numbers of countries in specific negotiations. The most important is that the countries generally are not involved in all negotiations but only in specific sectors where have interests. Another mechanism is formulating a coalition.¹⁶ Under WTO work several groups, focused on different problems, gathered different member states. WTO members can belong to three types of groups: a bloc, a coalition or a forum. A bloc may be defined as a group of countries with broadly congruent interests that form an association based on long-term cooperation. Coalitions are usually temporary arrangements and rarely take formal shape. Both blocs and coalitions may be distinguished from negotiating forums. One of most recent but also one of the most powerful is the G20. The G20 evolved in 2008 from a ministerial to a summit-level group as opposed to the Cancun-era G20 coalition.¹⁷

This coalition of developing countries was created before the Cancun summit and it initially included fewer countries; it expanded during the meeting in Cancun. The group includes Argentina, Bolivia, Brazil, Chile, China, Columbia, Costa Rica, Cuba, Ecuador, Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, the Philippines, the Republic of South Africa, Thailand and Venezuela.¹⁸ The main aim of this group is to press for ambitious reforms of agriculture in developed countries with some flexibility for developing countries. The G20 also encompassed all BRICS countries, apart from Russia. The most important issue for the G20 is agricultural liberalization, but in this group are also countries which have a defensive stance in the agriculture negotiations, like India. This is a kind

11 Thorstensen, Oliveria 2014: 23.

12 WTO 1996.

13 Lin Guijun, Tang Bi 2015: 448.

14 Wto.org a.

15 Brink et al. 2013: 198.

16 Hoekman, Kostecki 2013: 66.

17 Van Grastek 2013: 98.

18 WTO 2003.

of paradox. According to Pedro da Motta Veiga, “this coalition brought together developing countries which traditionally adopted differing – even opposed – positions in the agricultural negotiations in the WTO. The simultaneous presence of Argentina and India in the group is the best example of this novelty.”¹⁹

CHINA IN THE WTO

China has been a member of the WTO since 11 December 2001. It should be noted that China had been one of the 23 original contradicting parties to the General Agreement on Tariffs and Trade.²⁰ China began efforts to join the WTO in 1986 to restore its membership status.²¹ However, there has been a significant acceleration of negotiations in the last three years before accession. China signed a trade agreement with the United States in 1999. This agreement practically opened the way for the WTO to the China as well as the Chinese market for the US investors. China implements a policy of “strategic partnership” with the United States. Beijing had hoped for accession to the World Trade Organization before the summit of the organization’s members in Seattle (on 30 November 1999). However, such a step proved to be rather unlikely, since in 1999 China did not complete trade negotiations with the European Union yet – only signed in 2000 – nor with Canada and other members of WTO. Until the completion of the negotiations and signing of agreements with these countries, China had to settle for the status of observer.

China is a member of the following negotiations groups in WTO: the Asian developing members, APEC, Recent Acceded Members (RAMs), G20, G33 and “W52” sponsors.²² China is the only country from BRICS that has no market economy status granted by the European Union. It’s a serious problem for the Chinese, especially in the context of anti-dumping procedures. The WTO Accession Protocol provides for a 15-year transitional period on China’s market economy status.²³ This applies only to

¹⁹ Da Motta Veiga.

²⁰ Gertler 2004: 21.

²¹ Lin Guijun, Tang Bi 2015: 439.

²² G33 is a coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture. W52 sponsor is a group in the TRIPS negotiations. Sponsors of TN/C/W/52, a proposal for “modalities” in negotiations on geographical indications.

²³ Yan Luo 2010: 161-163.

anti-dumping investigations, and often makes it easier for the EU to impose duties and apply higher antidumping rates. To be considered a ‘market economy’, a country must have a floating exchange rate, a free market, a non-intrusive government, effective business accounting standards and, lastly, a clear definition of property rights and bankruptcy laws.²⁴ The EU still refuses to recognize that status mostly because of the European Trade Defense Policy objectives.

BRAZIL IN THE WTO

Brazil has been a WTO member since 1 January 1995 and a member of GATT since 30 July 1948. Brazil is a member of following groups of negotiations: Mercosur, Cairns group G20, NAMA-11,²⁵ Friends of A-D Negotiations²⁶ (FANs) and “W52” sponsors.

Brazil, as a major exporter of agricultural and agro-industrial goods, has adopted an offensive stance in agriculture trade negotiations. In line with this Brazil has participated actively in the Cairns Group (a coalition of developed and developing countries exporting agricultural products). Brazil also pushed for including in the Doha agenda ambitious goals related to market access and the reduction or elimination of export and domestic support schemes.²⁷ Brazil’s leadership in the setting of the G20 is perhaps the best example of the country’s new ‘southern’ stance in trade negotiations at the multilateral level. The position of Brazil in WTO negotiations is also improved by adoption of the Brazilian national, Roberto Azevêdo as the sixth Director-General of the WTO. His appointment took effect on 1 September 2013 for a term of four years.²⁸

²⁴ DG EXPO 2013: 23-24.

²⁵ NAMA 11 is a group in the non-agricultural market access negotiations consist of developing countries seeking flexibilities to limit market opening in industrial goods trade.

²⁶ Anti-Dumping Negotiations. (Editor’s note – JvDb)

²⁷ Da Motta Veiga.

²⁸ Wto.org b.

INDIA IN THE WTO

India has been a WTO member since 1 January 1995 and a member of GATT since 8 July 1948.²⁹ India, one of the key players in the agriculture negotiations, is against rapid changes in agricultural policy especially for developing countries that use preferences in trade. Safeguarding the interests of low income and resource poor agricultural producers remains paramount for India.³⁰ So far, from India's perspective, most crucial during the Doha negotiations is to "protect the interests of its farmers, even at the cost of foregoing benefits that might have otherwise been made in services and NAMA negotiations." As part of G33, India has strongly supported the need for developing countries to have a Special Safeguard Mechanism (SSM), which would allow them to impose additional tariffs when faced with cheap imports or when there is a surge in imports. Far from agriculture aims in negotiations seem to be India's goals in services. As an emerging global power in IT and business services, India is, in fact, an offensive player in the WTO talks on service, ready to take more liberal commitments³¹.

SOUTH AFRICA IN THE WTO

South Africa has been a WTO member since 1 January 1995 and a member of GATT since 13 June 1948. South Africa is a member of following groups in the negotiations: the ACP African group, G90,³² Cairns group, G20, NAMA-11, "W52" sponsors and Joint proposal (in intellectual property). For South Africa a key area of negotiations is more flexible access to industrial products that would allow developing countries to make smaller or no cuts in tariffs for limited percentages of their most sensitive sector. In the NAMA 11 group³³ of developing countries next to Brazil and India, South Africa is seeking flexibilities to limit market opening

²⁹ Wto.org c.

³⁰ Ray, Saha 2009: 17-18.

³¹ Das 2006.

³² G90 is a coalition of African Group, ACP and least-developed countries. They are against EU and US subsidies and insist on greater access to foreign markets for LDC countries.

³³ NAMA (non-agriculture market access) refers to all products not covered by the Agreement on Agriculture. in practice, it includes manufacturing products, fuels and mining products, fish and fish products, and forestry products.

in industrial goods trade.³⁴ In agriculture, South Africa is a member of the Cairns group (next to Brazil) which encourages to create fairer trade practices, to support proposals that would increase market access and to reduce Quad (Canada, US, EU and Japan) and country subsidies.³⁵

RUSSIA IN WTO

Russia joined the WTO after 18 years of negotiations and has been a member of WTO since 22 August 2012. The Russian Federation is a member of following groups in the negotiations: APEC and Recent accessed members (RAMs).³⁶ APEC is the Asia-Pacific Economic Cooperation forum, which also includes China. RAMs, are the countries that negotiated and joined the WTO after 1995, seeking lesser commitments in the negotiations because of the liberalization they have undertaken as a part of their membership agreements.³⁷

BRICS AND WTO AGRICULTURE TRADE TALKS

The newest World Trade Organization Ministerial Conference was held in Bali, Indonesia from 3-7 December 2013. The main Doha negotiations problems are: agriculture, the special safeguard mechanism (SSM), sensitive products and non-agricultural market access (NAMA), subsidies for agriculture production and trade and subsidies for cotton producers used by US. The causes of lack of compromise are also the system of decision making under WTO and domestic situation in member countries caused by financial crisis. The BRICS' involvement in the Doha Round is a key component defining how the global trading system will cope with overcoming the Doha negotiations deadlock.

For the first time from the beginning of Doha negotiation (in 2001), the Bali Ministerial demonstrated that WTO talks can produce results. Compared to GATT negotiations, the previous results of WTO were less

³⁴ WTO 2014.

³⁵ WTO 2014.

³⁶ Wto.org d.

³⁷ WTO 2014.

than satisfactory – though the WTO has much more countries, which might be one of the reasons of the Doha negotiation failure. The talks so far were very intense and generated a lot of tension, especially since not all countries participating in the conference exhibited strong support for the shape of the agreement proposed by the head of the WTO. Objections were reported mainly by Cuba, Bolivia, Nicaragua, Venezuela, and India.³⁸

The main differences between BRICS countries are focused around agriculture negotiation, which is one of the major problems of the world economy. Given the limited progress, achieved in the Uruguay Round, WTO members had committed themselves to a new stage of liberalization of the agricultural sector, which was scheduled for five years after the Agreement on Agriculture in 1995 came into force. Owing to the importance of the sector, the agricultural theme became the central point of the Doha negotiations.³⁹

Most developing countries do not seek an unlimited liberalization of trade in agriculture because the introduction costs of the new rules and the special and differential treatment mechanism in trade. Therefore, the negotiating position of developing countries is varied and depends on their economic potential and participation in international trade. Strong supporters of liberalization of agricultural trade are the biggest exporters from the Cairns Group. But also among them are countries with a more reserved stance (e.g. South Africa and Pakistan). For instance, China and India are against the agriculture liberalization. Also some well developed countries with strong protection in agriculture like Switzerland, Japan, Norway and South Korea are opposed to liberalization. Generally, the US and EU are for the further liberalization in the agricultural sector, however internal pressures remains, for instance some EU members, such as France or Poland, have defensive goals in the agricultural negotiations.

Brazil is a self-sufficient country in terms of agriculture and an exporter of value-added agricultural products. South Africa has a strong interest in exporting its products and pursues the liberalization of international agricultural trade. Russia is a strong agricultural economy focused on the export of cereals. It has an average tariff level for agricultural products relatively lower in comparison with the other BRICS members. China and India are countries with enormous populations and with an increasing demand for food. China is also a major importer of agricultural goods. India is a rural country, with more than half of its population

working in this sector. The major problem of this country is a very high fragmentation in agriculture. The small farms that dominate in India are not able to compete with global players. To protect agriculture from global competition, India applies high tariffs and subsidies for agriculture. As a result of such policies, on the one hand developed countries cut export as well as domestic support for agriculture. On the other hand, developing countries are gradually boosting domestic support for farmers.

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THE MAIN DIFFERENCES BETWEEN BRICS COUNTRIES ARE FOCUSED AROUND AGRICULTURE NEGOTIATION

Brazil's negotiation position is more offensive and open than China, India and South Africa. In the Doha round of WTO global trade talks, where India and Brazil have been in a core negotiating group, they have battled to put together a comprehensive negotiating position. Brazil's interests as a highly competitive agricultural exporter have clashed with India's wish to protect its small farmers.⁴⁰ On the Bali Ministerial Conference India took the strongest stance to pursue their own policies related to food and food security, and worked out a compromise that accepted an agreement with a mini-package for the country: To ensure that the signing of a definitive agreement would be effective, they obtained temporary relief from the general rules of the WTO on food security. The adopted compromise assured that other WTO countries would refrain from litigation on this issue. China and Brazil supported India and the food subsidies for the poor. Officially the BRICS countries tried to cooperate in agriculture issues, taking joint action like the 5th BRICS meeting in Durban in March 2013 where they agreed to Action Plan 2012-2016 for Agricultural Cooperation of BRICS Countries.⁴¹

CONCLUSIONS

The litmus test for BRICS in WTO will be long term cooperation. Do they have any strategy and are they ready to take a responsibility for global trade? And finally will the EU and US easily let them gain power

38 Motlogelwa, Accram 2013.

39 Thorstensen, Oliveria 2014: 24.

40 Cameron 2011: 4.

41 BRICS 2013.

and influence in global governance? It won't be easy. First of all, there is no 'BRICS group' in WTO, for sure in some issues they have similar interests as well as in many they are on opposite side of negotiations. It should be emphasized that the BRICS countries in the WTO are single members; there is no regional cooperation between them like a free trade area or custom union. According to Cameron "the BRICs are a very loose grouping which enjoy banding together to demonstrate the rise of the emerging powers vis-à-vis the US and Europe."⁴² The most relevant success of the BRICS have been there relative success in the WTO, with India, Brazil and South Africa demonstrating their ability to unite, through the agriculture G20 coalition.⁴³

What is worth to underline is the fact that China and other BRICS countries strongly support developing countries in WTO. China's membership in the WTO was, without doubts profitable for the rest of developing countries. What is more, for the first time in history the head of the WTO comes from Latin America, Brazil. This is highly symbolic and shows that the role of developing countries is much bigger than in former GATT negotiations. This situation might be very accommodating for developing countries, but the new WTO head has to be very careful to maintain the balance of power and does not support Brazil and other developing countries more than other WTO members. The role of BRICS countries has been vital in the implementation of the "Bali Package." Implementation, however, requires a lot of political will and support for the proposals contained in the framework agreement between the Member States of the WTO. The new Brazilian WTO Director General is also aware of this and regularly calls to leaders and parliamentarians from WTO members for political support for the solutions adopted in Bali.⁴⁴ He underlines that to unblock negotiations a few issues must be solved: The US and EU must agree on deeper agricultural liberalization and the BRICS should agree on deeper liberalization in services and industrial goods.

Even though being a heterogeneous group with different structural and domestic problems, the BRICS economies have changed the balance of power in the WTO. As a result of changing the balance of power of the Quad, the leading group composed of the US, EU, Japan and Canada, has been replaced by the new G5 namely the US, EU, Brazil, India and China. While the former GATT was called the "OECD club" to underline that the main voice belonged to the well developed countries like US, EC (at the

time), Japan and Canada. Now, there is no more OECD domination in WTO, but the question if a "BRICS club" could rule is still open.

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⁴² Cameron 2011: 7.

⁴³ Singh, Dube 2011: 40.

⁴⁴ Wto.org e.

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THE **NEW** DEVELOPEMENT BANK AND THE INSTITUTIONALIZATION OF THE BRICS

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abstract

THE BRICS – A LOOSE COALITION CURRENTLY COMPRISING BRAZIL, RUSSIA, INDIA, CHINA, AND SOUTH AFRICA – WAS FORMED WITH THE OVERARCHING GOAL OF PUSHING FOR GLOBAL GOVERNANCE REFORM. THE INITIATIVE HAS BEEN MET WITH A WIDE VARIETY OF REACTIONS, FROM OPTIMISM CONCERNING ITS ABILITY TO FOSTER SYSTEMIC CHANGE TO STRONG SKEPTICISM REGARDING THE CAPACITY OF FIVE VASTLY DIFFERENT STATES TO AGREE UPON A COMMON AGENDA AND UNDERTAKE LONG-TERM COMMITMENTS. IN THIS PAPER, WE ANALYZE THE BRICS'S NEW DEVELOPMENT BANK, ANNOUNCED IN 2014 AT THE SIXTH BRICS SUMMIT IN FORTALEZA, BRAZIL. MORE SPECIFICALLY, WE EXAMINE THE SIGNIFICANCE OF

THIS STEP FOR INSTITUTIONALIZATION OF THE BRICS COALITION IN LIGHT OF THREE CRITERIA: THE CREATION OF A COHERENT BUREAUCRACY; THE NEW INSTITUTION'S DEGREE OF SOCIAL EMBEDDEDNESS; AND THE FORMATION OF A NORMATIVE PLATFORM. WE ARGUE THAT, AT LEAST ACCORDING TO THE FIRST TWO CRITERIA, THE BANK PROJECT HELPS TO MAKE THE BRICS MORE THAN THE SUM OF ITS PARTS, GRANTING IT A COLLECTIVE AGENCY THAT ITS MEMBERS INDIVIDUALLY DO NOT POSSESS. HOWEVER, THE BANK'S FUNCTION AS A NORMATIVE PLATFORM IS STILL UNCERTAIN, AND THE NDB'S CONTRIBUTION TO THE INSTITUTIONALIZATION OF THE BRICS IS CONSTRAINED TO THE FIELD OF INTERNATIONAL DEVELOPMENT.

BRICS, NEW DEVELOPMENT BANK, INSTITUTIONALIZATION, DEVELOPMENT, SOUTH-SOUTH CO-OPERATION, DEVELOPMENT FINANCE

keywords

IN 2014, THE FIVE HEADS OF STATE OF THE BRICS STATES (BRAZIL, RUSSIA, INDIA, CHINA, AND SOUTH AFRICA) ANNOUNCED THE CREATION OF A NEW DEVELOPMENT BANK, MEANT PRIMARILY TO HELP CLOSE THE FINANCING GAP FOR INFRASTRUCTURE AND SUSTAINABLE DEVELOPMENT IN THE GLOBAL SOUTH. THE ANNOUNCEMENT WAS MET WITH A VARIETY OF REACTIONS: FROM ENTHUSIASTIC ENDORSEMENTS OF THE PROJECT AS PROVIDING A POSITIVE ALTERNATIVE TO EXISTING DEVELOPMENT FINANCE INSTITUTIONS, TO HIGHLY SKEPTICAL AFFIRMATIONS THAT THESE FIVE STATES ARE FAR TOO DISPARATE TO AGREE UPON A COMMON AGENDA; TO CONCERN THAT THE NEW BANK MAY POSE A SERIOUS THREAT TO WESTERN-DOMINATED DEVELOPMENT NORMS.

DESPITE THIS ONGOING DEBATE ABOUT THE NEW DEVELOPMENT BANK (NDB'S) POTENTIAL IMPACT ON THE FIELD OF DEVELOPMENT, THERE HAS BEEN RATHER SCARCE DISCUSSION OF HOW THE INITIATIVE AFFECTS THE BRICS COALITION ITSELF. WHAT DOES THE NDB REPRESENT FOR INSTITUTIONALIZATION OF THE BRICS GROUPING? WILL CONCRETE INITIATIVES HELP GRANT THE BRICS COALITION GREATER AGENCY AS A COLLECTIVE ACTOR, RENDERING IT MORE THAN THE SUM OF ITS PARTS?

Drawing on official BRICS documents released thus far, as well as interviews with BRICS government officials, we analyze the NDB initiative from an institutionalist perspective that views organizations as socially embedded within multiple and interlocking levels of social interaction. More specifically, we consider the NDB in light of three key factors relevant to the process of institutionalization of a multilateral initiative: the creation of a coherent bureaucracy; its degree of social embeddedness; and the formation of a normative platform able to influence the rule-making process in global development. All three factors are necessary for a sustainable institution that is endowed with both legitimacy and efficacy. Since the NDB project is very much a moving target, we argue that important steps have been taken towards the first and second criteria, but that the role of the NDB as a normative platform for international development is still uncertain, due in part to the inclusion of both authoritarian and democratic regimes among the BRICS. In addition there are limitations to the bank's ability to strengthen the BRICS as a political actor. If successfully implemented, the bank will help institutionalize the BRICS as an important collective actor within the field of development, but this strategy does not necessarily carry over into other fields of action featured in the official BRICS discourse, such as international security.

The paper is structured along two main sections. In the next part, we offer an overview of the scholarship on the BRICS, particularly with respect to international development cooperation; we also summarize the institutionalist approach to international organizations, proposing three general criteria for evaluating the institutionalization of the coalition. Next, we analyze the NDB with reference to the coalition's main goals. The conclusion examines some of the implications of this initiative for the field of development and offers some directions for future research.

THE BRICS FROM AN INSTITUTIONALIST PERSPECTIVE

A PLATFORM OF CONVENIENCE

Even during the Cold War, and despite the strict alliance system of that era, institutional frameworks were created advocating alternatives to the Western and Eastern economic and ideological proposals. Early efforts included the Non-Aligned Movement (NAM) and the Group of 77 (G77), both of which brought together developing countries from Asia, Africa, and Latin America. However, the overarching dispute between the two superpowers for the establishment and expansion of zones of influence around the world, along with the scarcity of resources with which to launch ambitious new initiatives, limited the scope of action of these "Third World" coalitions.

With the end of the Cold War, and especially after the decade of US hegemony, new debates emerged about the possibility of a transition towards a more multipolar or multiplex system.¹ Against this backdrop of systemic reconfiguration, some rising powers – here defined as states that have experienced some degree of economic growth and that use part of those resources to push for more influence within the international order – have worked to coordinate political positions and negotiate a more representative global governance.² They can be thought of as 'moderate reformers' that challenge current global governance even as they seek to guarantee their own policy-making autonomy.³ These efforts have yielded a variety of informal platforms and coalitions. Some of these new arrangements, including the G20, seek to bridge the so-called North-South gap, while others, such as the India, Brazil and South Africa Dialogue Forum (IBSA) and the BRICS grouping, bring together states that either identify themselves as developing countries or that, as in the case of Russia, align with the developing world's calls for global governance reform.⁴

The initial BRIC coalition – at first, without South Africa – was launched primarily to boost economic and political cooperation among its members and to press for reform of global governance. Talks began at the

1 Acharya 2014.

2 Narlikar 2013.

3 Kahler 2013.

4 Vieira, Alden 2011.

ministerial level in 2006, and the 2008 onset of the global crisis provided additional impetus for the initiative. The inaugural head of state summit – the first of (so far) seven annual meetings – was held in 2009 in Yekaterinburg, Russia. In 2011, South Africa officially joined the group, which became known as BRICS. Since then, the initiative has revolved around not only the head of state summits, but also regular ministerial meetings organized around specific cooperation topics.⁵ The coalition's agenda has broadened to include themes as varied as development, security, and education, among others.⁶



MUCH OF THE SKEPTICISM STEMS FROM
THE FACT THAT THE BRICS IS
A RECENT CREATION

Today, the grouping represents around 42% of the global population, with a joint GDP of approximately U\$ 16 trillion (21% of world's total) and international reserves estimated around U\$ 5 trillion, more than 80% of which comes from China. Backed by years of strong although variable economic growth, and emboldened by their relatively robust response to the first shocks of the global crisis that began in 2008, the BRICS countries became more vocal in the international arena. Their joint demand for reform of key international institutions, which they consider to be outdated because those arrangements do not reflect the current global power distribution, has been particularly salient with respect to international development. This stance stems not only from skepticism towards the models and norms promoted by Northern aid, but also from growing frustration at the lack of *de facto* reform in the Bretton Woods institutions and the UN system.⁷

Although anti-hegemonic in that they aspire to a more multipolar system, the BRICS does not aim for a systemic break. While the grouping's official discourse stresses the need for a multipolar, equitable, and democratic international order, these countries' primary aim is to expand their own influence in the world, rather than replace or disengage from established international institutions. The member states' dissatisfaction with the current global governance architecture is stressed in their summit declarations, which note that established international institutions have not proven able to adequately respond to global challenges. Their desire for change, combined with the promotion of somewhat different approaches

to certain international relations issues as compared with those of Western countries – for instance, regarding the importance of national sovereignty – has often led to the coalition being characterized as an anti-Western bloc. This umbrella statement tends to disregard the extent to which the individual BRICS rely upon international institutions and norms.⁸

Another common motif is that of the BRICS countries as awkward bedfellows; according to this view, the economic, historical, cultural, and geographic divergences among these states render the coalition unlikely to find common ground on substantive issues. Such narratives tend to attribute the origin of the BRICS to a Goldman Sachs paper on emerging markets,⁹ overlooking not only the deeper historical roots of the coalition (the member states had already begun to deepen ties on a bilateral basis in the 1990s), but also its growing political dimension. A narrow focus on divergences yields a pessimistic view concerning the BRICS grouping's ability to acquire agency as a collective and reasonably coherent actor; the summits, the reasoning goes, are “a mere photo opportunity.” A variant on this take focuses on the asymmetries between China – whose GDP outweighs all of the other BRICS' combined – and the remaining coalition members. In this narrative, the BRICS is nothing more than a thin multilateral veneer for Chinese interests and global ambition.

Much of the skepticism stems from the fact that the BRICS is a recent creation. Despite holding annual head of state summits since 2009, so far the coalition has no charter, headquarters, fixed secretariat, or dedicated funds with which to finance its activities. Some analysts have argued that the development of a juridical apparatus, organizational mechanisms, and financial support systems are prerequisites for promoting wider intra-BRICS cooperation and launching robust multilateral projects.¹⁰ Others note a double standard, since the established international institutions took a lot longer to be negotiated and implemented.¹¹

Diplomats from the BRICS states note that, for such a new coalition, the degree of institutionalization can sometimes be a flawed metric for success, because flexibility generates some benefits. At least during its initial stages, the loose grouping can be treated as a ‘platform of convenience’ through which member states work to find areas in which they are likeliest to find common ground. This flexibility entails a process

⁵ Stuenkel 2015.

⁶ Bohler-Muller, Kornegay 2013.

⁷ For more on this institutional inertia, see: Vestergaard, Wade 2011.

⁸ See Hou Zhenbo 2014.

⁹ O'Neill 2001.

¹⁰ Davidov 2012.

¹¹ Pimentel 2013.

of negotiation and accommodation rather than rigidly following a prior agreed-upon template, and it allows for greater agility in the formulation and implementation of their first joint commitments. In some areas, such as international security, finding a path of least resistance is more difficult, partly because there is a salient cleavage within the coalition that affects some of their key stances on security issues: Russia and China are UNSC permanent seat holders, whereas Brazil, India, and South Africa aspire to such a position. Likewise, three members (Russia, China, and India) are nuclear powers, whereas both Brazil and South Africa voluntarily gave up their nuclear weapons programs. On any political topics involving domestic regimes, the three democratic BRICS (Brazil, India, and South Africa) would find little common ground with China and Russia, and there are also considerable differences in how these states behave with respect to international security, both regionally and globally.

DEVELOPMENT COOPERATION: PATH OF LEAST RESISTANCE

On the other hand, the five member states seem to have many converging interests in development cooperation. First, the BRICS share the view that reform is needed within the current global governance architecture in international development. In addition to voicing demands for change within the Bretton Woods Institutions, the BRICS states have generally resisted recent efforts led by the Organization for Economic Cooperation and Development (OECD) and its Development Assistance Committee (DAC) to harmonize the principles of international development. The BRICS consider the OECD to be a “club of rich countries” promoting norms that privilege their own interests above those of recipients. Therefore, from the BRICS’ perspective, the OECD’s attempts to become the center of gravity of the development field – for instance, through the Global Partnership launched in 2014 – to lack legitimacy. Adopting a common discourse of non-interference, these states have strongly opposed (among other items) the DAC’s endorsement of political conditionalities in exchange for provision of aid.¹²

Particularly after the 2008 onset of the global economic crisis, the BRICS countries perceived a window of opportunity to increase their role in, and influence over, development financing. While OECD official

¹² Mwase, Yang Yonzheng 2012.

development assistance (ODA) flows temporarily retracted due to fiscal pressures within the donor states, South-South cooperation continued to expand.¹³ With a greater ability to pool resources, the BRICS began pushing harder for change within the Bretton Woods Institutions, exposing their frustration with the slow pace of these reforms, especially after the US Congress vetoed a 2010 agreement settled by the G20 grant emerging economies more power within the IMF. In protest, at least on two separate occasions in 2014, the BRICS countries threatened to veto a renewal of the IMF’s “New Arrangements to Borrow” crisis funds.

Second, although the role of the state in domestic development varies widely among the five member states, the coalition’s discourse promotes a more state-centric approach to international development, reinforcing their common rejection of market fundamentalism. The 2010 BRICS declaration, for instance, notes that “recent events have shattered the belief about the self-regulating nature of financial markets” and affirms the “pressing need to foster and strengthen cooperation regarding the regulation and supervision of all segments, institutions and instruments of financial markets.”

The BRICS as a collective entity thus gathers steam at a time when the Bretton Woods Institutions have lost their place as center of gravity of the field of development. Within this context, the creation of the NDB is part of a broader trend: the proliferation of development financing actors. In addition to bilateral providers of development financing and private foundations, new regional development banks, such as the Asian Infrastructure Investment Bank (AIIB) and the Shanghai Cooperation Organization bank projects, help drive the decentering of development financing.

Third, the BRICS states make use of their provision of development cooperation not only to contest the OECD’s role as a normative platform, but also to expand their own role as rule-makers (rather than simply rule-takers) in international development. To varying degrees, all five states argue that South-South cooperation is fundamentally different from Northern aid, and therefore unburdened by the legacy of colonialism that they attribute to Northern assistance. The BRICS defend principles such as horizontality, mutual benefit, solidarity, and non-conditionality, in addition to the idea that this cooperation is demand-driven. While the promotion of these principles harkens back to the Cold War Era, in the post-millennium years these countries have been able to draw on significantly enhanced

¹³ Mawdsley 2012.

financial resources for engaging in international cooperation that were not always available before.

The scope of the BRICS countries' bilateral development financing, although difficult to measure precisely due to widely diverging definitions of basic categories, has expanded rapidly in the past fifteen years.¹⁴ Some of the BRICS states' key financing institutions have budgets that surpass those of established multilateral institutions. While in 2013 the World Bank disbursed US\$40.8 billion, Brazil's national development bank, the BNDES, disbursed loans worth US\$ 88 billion, and the China Development Bank lent US\$ 240 billion. In other words, more development projects are being financed by banks that do not adhere to the norms promoted by Western-dominated institutions (for instance, South-South cooperation providers tend to impose strictly project-specific conditions, as opposed to "good governance" clauses).

Second, the coalition members see the provision of development cooperation as a tool for gaining influence and goodwill abroad. In the past few years, all five countries have vastly expanded their development cooperation projects. The provision of South-South cooperation is a way to facilitate economic, political, and defense ties bilaterally while facilitating certain multilateral goals (for instance, garnering votes for candidates for leadership positions, boosting bids to host international mega-events, and broadening support for a permanent seat at the UN Security Council). The economic rationale of South-South cooperation is reflected in the concept of mutual benefit: by expanding their development cooperation projects, these governments can also boost profit opportunities for their countries' companies investing abroad, while helping to foster growth and development in partner states.

At the same time, there are significant divergences in the scope, reach, and composition of the cooperation initiatives offered by individual BRICS members, including with respect to development financing.¹⁵ Of the five states, China is by far the largest provider of development financing, with a variety of institutions – primarily the People's Bank of China, the China Development Bank, and the Export-Import Bank of China – providing credit lines across the developing world, especially in Africa. China's projects are heavily anchored in government-to-government relationships meant to expand trade and facilitate access to raw materials, although the private sector has been gaining ground over the past decade. China's development

cooperation is conducted overwhelmingly through bilateral channels, but over the past few years it has also become a major contributor to multilateral organizations, especially the Asian Development Bank (ADB) and the African Development Bank (AfDB). In 2013, apart from engaging in the NDB initiative, the Chinese government participated in discussions to create a bank for the Shanghai Cooperation Organization (SCO) (still under design) and proposed the Asian Infrastructure Investment Bank (AIIB). China has also launched new regional funds, such as the China-Africa Development Fund.



SOME OF THE BRICS STATES' KEY FINANCING INSTITUTIONS HAVE BUDGETS THAT SURPASS THOSE OF ESTABLISHED MULTILATERAL INSTITUTIONS

Brazil has provided official development cooperation to other developing countries since the 1970s, but this role became more relevant over the past decade, as part of a foreign policy that sought to transform Brazil into a major global player, including by expanding Brazilian influence in South America and Africa. The Brazilian Cooperation Agency (ABC), a division of the Ministry of Foreign Relations, is tasked with coordinating the country's technical cooperation, which focuses on social policy niches such as agriculture, health, and education. In addition, Brazil-based transnational companies, such as Petrobras (oil and gas), Vale (mining), and Odebrecht (construction), carry out large-scale infrastructure projects abroad. These projects are often financed with credit lines from the Brazilian National Development Bank (BNDES), which has vastly expanded its financing for the export of goods and services over the past few years.

India has been a provider of development financing since shortly after its independence in 1947, but its South-South cooperation increased significantly during the 2000s. In 2012, the Development Partnership Administration (DPA) was created within India's Ministry of External Affairs and tasked with coordinating the implementation of India's grants and technical assistance, as well as tracking line credits offered by the country's Exim Bank¹⁶. In 2013, India's development assistance reached its peak so far, with a budget of US\$ 1.16 billion.¹⁷ Most of the country's grants and loans go to South Asian countries (since 2000, around 80% of the total), while most of its credit line provisions go to African countries (currently

14 Kharas, Rogerson 2012.

15 For an overview, see: Mwase, Yang Yonzheng 2012.

16 Export-Import Bank. (Editor's note – JvdB)

17 Mullen 2014.

about 60% of the total). Despite recent efforts by the government to increase coordination of India's development projects, India's management development assistance policy formulation remains highly decentralized, with strong engagement by civil society entities in some projects.

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BOTH THE OPERATIONAL AND NORMATIVE
ROLES OF THE BRICS HAVE ACQUIRED GREATER
SALIENCE IN GLOBAL DISCUSSIONS OF
DEVELOPMENT

The collapse of the Soviet Union and the subsequent political and economic crisis within Russia considerably weakened its role as a major development cooperation provider; instead, Russia became a net recipient of aid. In 2007, the Russian government officially expressed the desire to reverse this trend, laying out priority sectors in the “Concept of Russia's Participation in International Development Assistance.” The country began re-emerging as a significant provider of development cooperation, focusing on the health, energy, and security sectors. Although its engagement is concentrated on former Soviet Union countries, Russia has officially declared promoting relations with Africa a priority goal and has launched initiatives such as the Russian-African Business Forum, created in 2011. More recently, however, with Western economic sanctions resulting from the annexation of Crimea and the ongoing conflict in eastern Ukraine, as well as the drop in oil and gas prices, Russia has experienced new budgetary pressures that may constrain its provision of development cooperation.

Although South Africa is by far the smallest of the BRICS economies, since the end of the Apartheid regime the country's development cooperation has increased considerably, mainly in Africa. South Africa is now the largest African provider of cooperation on the continent. In order to formalize and coordinate the country's development cooperation, in 2007 the government established the South African International Development Agency (SAIDA), now called the South African Development Partnership Agency (SADPA). Driven by the perception that the country's prosperity is directly linked to the development of the rest of Africa, the South African government has focused on peacebuilding (mediation, stabilization, and post-conflict reconstruction). However, there is also growing engagement in agriculture and infrastructure projects as part of a broader effort to foment the region's trade and economic integration and, consequently, expand the market for South Africa's services and manufactures.¹⁸

18 Besharati 2013.

In addition to representing a strategy for expanding influence abroad, the BRICS countries' development cooperation is also a response to a real need: the scarcity of infrastructure and industrialization investment in much of the developing world. During the 1950's, the Bretton Woods institutions focused on major infrastructure projects. However, over time, these institutions turned towards social and economic policy, even as developing countries' infrastructure needs deepened.¹⁹ A recent report by McKinsey Global Institute concluded that around US\$57-67 trillion in infrastructure investment would be needed in order to realize the world's potential growth by 2030 – an amount corresponding to approximately 60% more than the world's infrastructure investment during the last 18 years.²⁰ Some analysts estimate that, given current rates of investment in infrastructure, an investment deficit of around US\$1 trillion annually will remain.²¹

These factors help to explain why development cooperation, and especially development financing, has emerged as the main path of least resistance for the BRICS – and therefore, a realistic starting point for the institutionalization process. At the 6th BRICS Summit in Fortaleza, Brazil, in June 2014, the BRICS announced the launch of two new international financial institutions. The contingency reserve agreement (CRA) consists of a US\$100 billion monetary fund, which members can draw on to boost liquidity in cases of finance crises. As agreed upon in Fortaleza, China will provide US\$41 billion to the CRA's initial capital; Brazil, Russia, and India will contribute US\$18 billion each; and South Africa will allocate US\$5 billion. While the BRICS stress the mechanism's complementarity with respect to existing international arrangements (indeed, the CRA treaty provides for formal linkages to the IMF),²² some analysts believe that the CRA presents a direct challenge to current global financial system.

The other major initiative formally announced in Fortaleza is the NDB. The relevance of this initiative stems not only from the BRICS' push for global governance reform, but also from the ongoing debates about the role of cooperation providers in financing the Sustainable Development Goals (SDGs). With the post-2015 debates in full swing, both the operational and normative roles of the BRICS have acquired greater salience in global discussions of development.²³

19 Chin 2014.

20 Canuto 2014.

21 Bhattacharya, Romani 2013.

22 BRICS 2014.

23 Kharas et al. 2014.

INSTITUTIONALIZATION AND MULTILATERALISM

A sociological stance on multilateral organizations calls for analyzing these institutions not only with respect to inter-state relations, but also with reference to their organizational dynamics and their broader social relations.²⁴ This approach has been applied not only to established multilateral organizations, but also to looser coalitions, including BRICS.²⁵

According to Barnett and Finnemore,²⁶ international organizations (IOs), far from being mere handmaidens of states, acquire a degree of autonomy when individual members have compelling reasons to delegate some authority. Once endowed with a degree of autonomy, IOs acquire agency in two key ways. First, they help define the interests that states and other actors by leveraging material resources that can be used to influence others – for instance, financial resources. Second, IOs derive agency from their ability to guide behavior in other ways, for instance through agenda-setting (by influencing what is discussed and then decided) and norms-setting (shaping what is considered to be acceptable behavior by international relations actors).

The power of IOs depends in part on the degree of institutionalization of the organization – in other words, the development of rules, norms, and decision-making procedures that define the expectations, interests, and behaviors of the actors involved.²⁷ From a legalistic perspective, institutionalization refers to the adoption of rules and commitments compatible with international law.²⁸

Here we rely on the institutionalist perspective to analyze the process through which the BRICS develops as a distinct political space – a supranational site of governance that is structured by rules, procedures, and activities.²⁹ The importance of institutionalization is acknowledged in official BRICS state documents; for instance, Brazil's Ministry of External Relations refers to the need for “vertical institutionalization” (consolidation of regular meetings at different levels of government) as well as “horizontal institutionalization” (broadening of the coalition agenda to include a wider variety of areas of practice) of the coalition.

24 Koch, Stetter 2013; Brechin, Ness 2013.

25 See, for instance, Larionova 2012.

26 Barnett, Finnemore 2005.

27 Goldstein et al. 2000.

28 Abbott et al. 2000.

29 Sweet et al. 2001.

Drawing on the new economic sociology, we adopt a broader view of institutionalization, going beyond the confines of international law to consider the dynamics of the institution within its broader field of action (in this case, international development). More specifically, we examine the creation of the BRICS New Development Bank in light of three interrelated aspects: the formation of a coherent bureaucracy, the degree of social embeddedness, and the creation of a normative platform. These criteria are derived from Max Weber's³⁰ interpretation of the emergence of bureaucracy as a particular type of administrative structure developed through rational-legal authority. More recent literature on the role of bureaucracies in development has gone beyond these internal organizational characteristics to also consider how bureaucracies are linked to external structures such as social networks.³¹ They also consider certain bureaucracies as key loci for the formulation and dissemination of international norms.³² The three criteria below are inspired by this broader conceptualization of the internal dynamics and broader localization of institutions:

- A *coherent bureaucracy* refers to the ability to form an organizational structure approaching ideal-type Weberian characteristics, including “hierarchical organization, delineated lines of authority in a fixed area of activity, action taken on the basis of and recorded in written rules, bureaucratic officials need expert training, rules are implemented by neutral officials, career advancement depends on technical qualifications judged by organization, not individuals.”³³ The rational-legal authority ascribed to the bureaucracy enables the organization to work towards stated and unstated goals without being captured by individual interests.
- *Social embeddedness* refers to an actor's behavior within the context of the broader social relations in which it operates.³⁴ Organizational fields are composed not of isolated actors but rather of interlinked organizations that interact through formal and informal channels, and organizational change is caused in part by the diffusion of organizational repertoires of behaviors and models of action.³⁵ This means international organizations cannot be examined solely with respect to the internal dynamics of their bureaucratic structures.

30 Weber 1920.

31 Evans 1995.

32 Finnemore, Sikkink 1998.

33 Weber 1920.

34 Granovetter 1985.

35 DiMaggio, Powell 1991.

- Finally, in order to contribute to the institutionalization of the coalition, an initiative must be able not only to “do its job,” but to engage in agenda- and *norms-setting*. If the BRICS are to have normative influence in the field of international development, the NDB must be relevant to broader discussions about what is termed acceptable behavior within international development.

We contend that all three factors are necessary to the consolidation of an institution that has both legitimacy and efficacy. In addition, the NDB will need to gain legitimacy not only before the BRICS countries, but also before the broader international development community.

THE NEW DEVELOPMENT BANK AND BRICS INSTITUTIONALIZATION

PROSPECTS FOR A COHERENT BUREAUCRACY

The BRICS New Development Bank was first proposed in 2012 by the Indian delegation to the 4th BRICS summit in New Delhi. The five heads of state asked their Finance ministers to analyze the creation of a new development bank focusing on infrastructure and sustainable development in the BRICS and in other developing countries. Once the idea was deemed viable, at the following BRICS Summit (in Durban, in 2013), the leaders decided the coalition would create the institution. That following September, they met again at the margins of the G20 meeting in St Petersburg to assess progress on the project.

In parallel, development banks from the five countries – Brazil’s BNDES, the China Development Bank Corporation (CDB), the Bank for Development and Foreign Economic Affairs (Vnesheconombank), the Export-Import Bank of India (Exim Bank), and the Development Bank of Southern Africa Limited – signed cooperation agreements and Memorandums of Understanding on topics such as viability studies, personnel training, experience sharing, and discussions of credit facility in local currency.

It is worth noting that, on the same occasion, two other agreements were signed. The “BRICS Multilateral Coop and Co-financing Agreement for Sustainable Development” aims to boost cooperation on sustainable development, for instance by financing projects connected to sustainability and the low-carbon economy. The second agreement, “BRICS Multilateral Infrastructure Co-financing Agreement for Africa,” reflects host president Jacob Zuma’s efforts to place African infrastructure at the heart of the BRICS development agenda.³⁶ The agreement seeks to facilitate bilateral partnerships between BRICS countries’ development banks, provide support for development of infrastructure, boost trade, and expand investments on the African continent.³⁷

By the 6th BRICS summit in Fortaleza (2014), the coalition was ready to formally announce the NDB. According to the official statement, the institution is intended to “mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development” by providing “loans, guarantees, equity participation and other financial instruments, cooperat[ing] with international and financial organizations, and also provid[ing] technical assistance for projects it will support.”³⁸ The grouping also released the formal agreement for the new institution, with fifty articles spelling out the bank’s basic operations and governance structure.

What do these steps – and the plans outlined so far – mean for the institutionalization of the coalition? First, with respect to the creation of a coherent bureaucracy, the agreement determines the rules of membership: the bank is open to all members of the United Nations, borrowing and non-borrowing alike, but the BRICS states will retain their status (and certain privileges) as founding members. The initial subscribed capital of US\$50 billion is being equally distributed among the BRICS (with an initial authorized capital of US\$ 100 billion), and the voting power of each member equals its subscribed shares in the bank’s capital stock.

The institution’s basic governance structure is also clearly laid out and does not depart in major ways from existing development banks: the NDB will have a Board of Governors, a Board of Directors, a President, and Vice-Presidents. The president will be elected from one of the founding

³⁶ Zuma 2013.

³⁷ BNDES 2013.

³⁸ BRICS 2014.

states on a rotational basis, and there will be at least one VP from each of those members. These provisions allow the BRICS to “lock in” a degree of influence over the bank even as the agreement permits some flexibility in the acceptance of new members.



INCREASING CHINA'S PROPORTION OF CAPITAL
IN THE BANK MIGHT HELP TO RAISE THE
INSTITUTIONS RATING

The negotiations in Fortaleza also covered the bank's headquarters location. The dispute over the host country caused a last-minute stalemate in negotiations on the NDB, since India – as the original proponent of the institution – requested that the bank be headquartered in New Delhi. China, on the other hand, pressured other BRICS leaders to endorse Shanghai as the host city. The impasse was only overcome when Brazil – eager to have an agreement in place by the end of the summit – gave up its bid for the bank's first presidency, granting the privilege to India and accepting instead the first leadership of the Board.³⁹ These compromises allowed China to persevere, and Shanghai was selected as the NDB location.

Some analysts (especially those from China) have argued Shanghai is a natural choice because of the city's existing infrastructure and its business and financial services. Others believe that the decision not only reflects the Chinese government's efforts to make Shanghai into a global financial center, but also reaffirms China's dominant role within the BRICS. China's insistence on hosting the Bank has aroused concerns that the institution may serve Chinese priorities and pave the way for a “Beijing Consensus.” Increasing China's proportion of capital in the bank might help to raise the institutions rating, since the Chinese government has a high Moody's rating.⁴⁰ However, unfettered dominance by China would be detrimental to the process of institutionalization because it would erode the new bank's legitimacy as a multilateral, reformist effort.⁴¹

The NDB's implementation is by no means a given: the project needs parliamentary approval from all five states (as of March 2015, both India and Russia's parliaments had ratified the agreement) and is contingent upon the continuation of political as well as financial commitment. In addition

to oscillating growth rates, the BRICS face plummeting commodity prices, as well as lingering domestic challenges. For now, however, the NDB agreement lays out the foundational stones of a bureaucracy that, while clearly advancing the common interests of the BRICS countries, also has key elements of bureaucratic autonomy. Other aspects of this organizational structure are still under design – From where will bank staff be drawn? What will career trajectories look like? If consolidated, a coherent bureaucracy would help make the BRICS more than the sum of its parts, at least within the realm of international development.

SOCIAL EMBEDDEDNESS

Development finance institutions do not exist within a vacuum; they are interconnected into a global network through channels that include overlapping memberships, cross-organizational staff flows, and formal agreements for joint initiatives. The NDB, like other multilateral finance institutions, has built-in ties to key development banks from the founding members. In discussions leading up to the formal announcement of the bank, five institutions were identified and have been participating in the general discussions.

The field of development can best be described as an interlocking web of multilateral institutions, bilateral providers, and a wide array of non-state actors that are deeply interconnected at multiple levels. Thus, social embeddedness of the NDB also relates to linkages with actors (state and non-state alike) beyond the founding members. The announcement of the NDB was couched in the language of complementarity, not only from the BRICS grouping itself – the NDB agreement's first article refers to “complementing the existing efforts of multilateral and regional financial institutions” – but also from other actors within the field. During a July 2014 visit to New Delhi, for instance, President Jim Young Kim stated that the World Bank was ready to provide the new bank with technical assistance; he also played down the notion that the two institutions would vie for projects, stating that “the only competition we have is with poverty.”

Whether or not the two banks end up vying for the same markets, clientele and projects the NDB project may contribute towards a readaptation of current financial institutions, including the ongoing

39 Soto 2014.

40 Griffith-Jones 2014.

41 Abdenur 2014.

restructuring of the World Bank. Furthermore, the NDB agreement makes provisions for interaction with other actors within the field of development, primarily states. For instance, the agreement allows for the future enlargement of the membership (presumably not just developing countries) and will allow prospective member states to sit in as observers during Board meetings. It will also accept (contingent upon Board approval) other international financial institutions as observers. The agreement openly states that, to fulfill its purpose, it will “cooperate as the Bank may deem appropriate, within its mandate, with international organizations, as well as national entities whether public or private, in particular with international financial institutions and national development banks.” This phrasing leaves open the possibility of cooperating not only with state banks, exim and development banks, and other national institutions, but also private sector entities involved in financing and implementing infrastructure projects internationally.

On the other hand, the agreement makes no mention of civil society. This is important for two key reasons. First, some of the BRICS states’ bilateral provision of development cooperation involves close partnerships with civil society entities such as NGOs, professional associations, diaspora communities, and labor unions. This is the case, for instance, of both Brazilian and Indian South-South cooperation, parts of which have been pioneered by civil society. Second, civil society groups in the BRICS countries have been working together to accompany the process of institution-building, often contesting what they perceive to be a lack of transparency and of inclusion within the bank’s creation process. During both the Durban (2013) and Fortaleza (2014) summits, local civil society groups articulated with their counterparts in the other BRICS countries to hold “parallel” meetings dedicated to questioning the impact of such an institution, including with respect to environmental, human rights, and labor conditions. There is also concern among such groups with the institution’s transparency; Article 15 of the agreement (“Transparency and Accountability”) is the most succinct within the document, mentioning only that “The Bank shall ensure that its proceedings are transparent and shall elaborate in its own Rules of Procedure specific provisions regarding access to its documents.” There is clearly concern among civil society groups in the democratic BRICS that the coalition, and the NDB more specifically, are being shaped in ways that favor the interests and values of the two autocratic members.

One aspect of social embeddedness that will only become clear when and if the bank comes to full fruition concerns the interlocking

social networks that typically emerge across international organizations, especially those acting within the same field. There is significant cross-over in staff among related institutions; for instance, economists from the IMF and the World Bank often “migrate” over to regional development organizations, and vice versa. In addition, employees also tend to come from a narrow background; in 1996, Wade⁴² noted that around two-thirds of World Bank economists were certified by US universities, and that a full 80% had graduated from North American or British universities (the vast majority of them from a small number of elite institutions). While these trends reinforce linkages among institutions beyond the state-level, they also generate considerable redundancy in the knowledge and worldview of staff populating those organizations. The NDB agreement does not mention the recruitment or training of its future staff, nor whether measures will be taken to ensure a certain proportion of employees and contractors from the founding states.

THE NDB AND DEVELOPMENT NORMS

The role of an institution as an arena for contesting, proposing, and launching norms emerges with time and cannot easily be gleaned from its foundational documents. However, some elements can be inferred from the BRICS’ broader positions within the field of development. At the 2013 BRICS summit in Durban, President Xi Jinping called upon the BRICS to help set the international development agenda – a clear sign that the coalition’s development initiatives are not merely designed to “fill the gap” in infrastructure financing.

Rather, the NDB is also being launched as an alternative to Western-dominated institutions. The BRICS have criticized not only the Bretton Woods institutions in their current configurations, but also the OECD. These countries have, to varying degrees, resisted the DAC’s efforts to set global norms by specifying the key principles, practices, and standards of assistance. BRICS governments have insisted that South-South cooperation is fundamentally different from Northern aid in that these flows are more horizontal, based on relations of mutual benefit, and devoid of political conditionalities. As a result, these providers of South-South cooperation resist being pigeonholed as “new donors” and have been reluctant to adhere to the Aid Effectiveness agenda.

42 Wade 1996: 15-16.

Thus far, however, the BRICS have acted more as “norms blockers” (resisting the principles endorsed by Northern institutions) than “norms entrepreneurs.” The concept of sustainable development, for instance, is at the heart of the NDB, but no robust definition has been provided in the bank agreement. In terms of operationalization, it is also not clear how (and to what extent) the new bank will develop models and standards for project monitoring and evaluation. In light of the current ambiguities, civil society groups – not only within the BRICS themselves but also elsewhere – may create new pressures for the NDB to address issues of human rights, environmental impact, and labor conditions.



IF THE NDB'S FOCUS ON HEAVY INFRASTRUCTURE LEADS TO A NEGLECT OF OTHER DIMENSIONS OF SOCIOECONOMIC DEVELOPMENT, SOME OF THE MISTAKES OF THAT ERA MAY BE REPEATED, AT AN EVEN GRANDER SCALE

Likewise, the BRICS have reaffirmed their stance on not applying political conditionality to loans, but it is still unclear how this position might affect the bank's operations and its normative influence. While all of the BRICS have stood by the position of non-interference in other countries' domestic affairs, some of the members might push for preferences in partnerships. China, for instance, typically does not provide major loans to states that maintain formal ties to Taipei, in accordance to its “One China Policy.” Russia, especially after the start of the Ukraine crisis, has adopted a stronger anti-Western stance and has sought to deepen its ties to former Soviet republics. At the summit in Fortaleza, Russian President Vladimir Putin called upon the BRICS to create “a system of measures that would help prevent the harassment of countries that do not agree with some foreign policy decisions made by the United States and their Allies.” The extent to which founding members' geopolitical considerations will influence the NDB's norms and practices, for instance through implicit diplomatic conditionalities and preferences, remains to be seen.

There are also lingering questions regarding how, and to what extent, the NDB will contribute to the post-2015 development framework, especially in light of the Sustainable Development Objectives (SDGs). The 2014 BRICS declaration claims that the member states' “economic growth and social inclusion policies have helped to stabilize global economy, to foster the creation of jobs, to reduce poverty, and to combat inequality,

thus contributing to the achievement of the Millennium Development Goals,” and it states that the BRICS will continue to help “to define the international agenda in this area, building on its experience in addressing the challenges of poverty and inequality”. However, the BRICS have issued no statement so far regarding how the NDB project, or their broader approach to international cooperation, relates to the SDGs.

Finally, there are lingering questions about the NDB's heavy focus on large-scale infrastructure – an approach that harkens back to the early years of the Bretton Woods Institutions, when a belief in “spatial trickle down economics” led development specialists to believe that creating pockets of prosperity would automatically lead to broader externalities.⁴³ If the NDB's focus on heavy infrastructure leads to a neglect of other dimensions of socioeconomic development, some of the mistakes of that era may be repeated, at an even grander scale. On the other hand, making the NDB relevant to global debates about development norms would allow the BRICS to increase the institution's influence even beyond its operations.

CONCLUSION

Development cooperation, and especially development financing, has emerged as the path of least resistance for the BRICS: the area in which the coalition members have been most successful at finding enough common ground to launch concrete initiatives with long-term goals. If successfully implemented, the NDB will grant legitimacy and boost the capacity of a grouping that openly challenges the current global governance system, endowing the coalition with a degree of autonomy that it currently lacks. So far, the NDB's contributions towards institutionalizing the BRICS as an international relations actor in its own right – above and beyond the agency of its individual members – can only be gleaned from the foundational documents and the broader political negotiations surrounding the new bank.

From an institutionalist perspective, the project seems to be making progress along two important criteria. First, the establishment of a coherent bureaucracy capable of carrying out the institution's primary functions looks feasible, partly due to these states' vast previous experiences with development financing, including through existing multilateral platforms.

⁴³ Rodrik 2013.

Second, the NDB plans also include provisions to socially embed the new institution within a broader constellation of actors, both state and private, involved in international development. However, no mention is made of civil society, which not only is an integral part of some of the BRICS' South-South cooperation initiatives, but also has begun contesting the coalition, including the bank project itself.

As for the third criteria – the creation of a normative platform – the BRICS' ability to launch a purposive normative agenda is still unclear, and its potential cannot be inferred from the NDB agreement. While the coalition has adopted clear stances against the imposition of political conditionalities and favors a discourse of non-interference in other countries' domestic affairs, the kind of large-scale infrastructure projects the NDB will finance invariably entail some degree of local and regional political impact. The BRICS concept of sustainable development, also featured prominently in NDB negotiations, also remains underspecified.

The norms of the NDB are likely to emerge incrementally, as credit lines and other operational aspects are hammered out; far from pragmatic details, these are focal points of negotiations where political and ideological divergences will emerge and must be sorted in order to operationalize the new bank and provide it with a normative framework. More broadly, the BRICS must decide how the NDB fits in within global discussions of international development, including those (like the SDG debates) undertaken through the United Nations. This must be done as a truly multilateral effort, rather than as a China-dominated endeavor, which would undermine not only the legitimacy of the NDB, but of the BRICS grouping as a whole.

The successful implementation of the NDB would grant the coalition a higher degree of legitimacy and authority, allowing the BRICS to press more effectively for reform of global governance. However, the NDB's contribution towards institutionalization of the BRICS will remain restricted to the domain of international development. If the BRICS leaders intend to make the coalition into a multi-faceted initiative able to yield concrete initiatives on different areas of international relations, the grouping cannot rely on the NDB and CRA alone and must look for additional paths of least resistance.

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by E. Kania



MOSCOW'S PAST AND PRESENT - KOTELNICHESKAYA (ONE OF "STALIN'S SEVEN SISTERS")
OVERLOOKING A PRESENT DAY BUILDING SITE.

BRICS- NEW SHAREHOLDERS IN THE GLOBAL CAPITALIST SYSTEM

“

THERE IS NO INDICATION THAT THE BRICS ARE SERIOUSLY CONTEMPLATING CHALLENGING THIS CENTRAL ROLE OF THE UNITED STATES (GLOBAL CONSUMER OF LAST RESORT, WORLD CENTRAL BANKER, GLOBAL MILITARY BALANCER AND GUARANTOR, AMONG OTHERS), WHETHER AS A BLOC OR SEPARATELY. CERTAINLY THE ARRIVAL OF MORE ACTORS ITSELF CANNOT BE USED AS EVIDENCE THAT THESE NEW ACTORS ARE ATTEMPTING TO FUNDAMENTALLY CHALLENGE THE NATURE OF GLOBAL CAPITALISM.” – ASSESSES SEAN STARRS, RECOGNIZED RESEARCHER OF THE US’ GLOBAL ECONOMIC POWER FROM CITY UNIVERSITY OF HONG KONG, INTERVIEWED BY RAFAL WISNIEWSKI FROM THE R/EVOLUTIONS EDITORIAL TEAM.

INTERVIEW WITH **SEAN STARRS**
BY RAFAL WIŚNIEWSKI

One central conclusion ties together most of your published research – American national power has not declined in the last two decades, it has rather globalized. You have meticulously compiled data which show that American Transnational Corporations (TNCs) still dominate the global capitalist system and that US citizens have a disproportionate share of the global wealth. Does this mean that the idea of BRICS as a block of rapidly rising economic powers who exert an ever growing economic and political influence on the international system is misconceived? What are the real consequences of these countries’ rise for the global balance of economic power?

Yes, I think it is misconceived, if we assume that the BRICS’ “ever-growing economic and political influence on the international system” is or will be at the expense of, or somehow decrease, the central role of American power in this system. Perhaps it might be useful to draw upon the experience of the earlier wave of “American declinism” in the 1970s and 1980s. Many thought that the post-war economic revival and rapid growth of Western Europe and Japan would challenge American hegemony. Commentators back then drew upon much the same kinds of evidence – especially the declining share of American national accounts relative to these others – as they do today relative to the BRICS. And the US share of world GDP did decline from the 1960s because economic activity was indeed expanding outside American borders at a faster rate than within the United States. But when the share of Western Europe’s GDP relative to the world continued to surpass that of the US’s throughout the 1990s, nobody any longer used this as evidence to suggest that Western Europe was now the world’s number one economic superpower. In fact, in the 1990s everyone characterized the United States as the world’s only superpower, despite what is now the European Union having a larger share of world GDP at that time.¹

This implies that it is possible that even if the combined GDPs of the BRICS surpass the American GDP sometime in the next decade or so, it does not necessarily follow that they have surpassed the United States in economic power. As I argue elsewhere,² to understand national economic power in the era of globalization, we have to move beyond national accounts (including GDP) and look at the transnational corporations themselves (which directly or indirectly account for much of the economic activity measured by national accounts), in order to encompass their transnational operations,

1 See Figure 1, Starrs 2013b: 821.

2 Starrs 2013b, 2014.

especially the globalization of their production networks. When we do this, we will see that, due to the nature of globalization and the global dominance of American corporations, national accounts under-estimate American economic power and over-estimate the economic power of the BRICS.



IN 2013 CHINA'S GDP
WAS 1.4 TIMES LARGER
THAN THE REST OF THE
BRICS COMBINED

Moreover, in the case of both the European Union and the BRICS, these are not singular geopolitical-economic actors in world order. Therefore, it is inappropriate to combine their constituent states' GDPs and compare them to the single state of the United States. The interests of the constituent nation states of either the EU or the BRICS take precedence over the bloc as a whole, and these national interests are too often conflicting for the respective bloc to be considered a coherent actor vis-à-vis the United States. Geopolitically, the 2003 US-led invasion of Iraq offers an example of the divisions in the EU that can lead to incoherence and the ability of the US to "divide and rule," or at least prevent a united challenge against US foreign policy. Then-US Defense Secretary Donald Rumsfeld could gloat about what he characterized as "Old Europe versus New Europe" – in other words corresponding to those states that protested against the US and those that supported the US-led invasion, respectively. And while the EU is certainly represented in certain IGOs such as the WTO as a single actor, and the EU Commission via its competition policy can challenge some of America's greatest titans, such as General Electric, Microsoft, and most recently Google, the EU is still too nationally divided into separate and competing economic interests to have the coherence of a single national actor, especially vis-à-vis the United States. Indeed, the very break-up of the EU was seen as a real possibility during the 2011-2012 Eurozone crisis, especially in relation to the as-yet unresolved conflict between Germany and Greece over what to do with the latter's debt.

As for the BRICS, it is easy to find divergent interests, goals, and sources of tension that preclude the formation of a coherent bloc capable of challenging American hegemony. No matter how many natural gas deals China and Russia sign, they are both governed by authoritarian ethno-centric nationalisms that are not conducive to the sort of shared interests and cooperation found between the US

and the UK, or even the US and Japan (the latter of which also has a strong ethno-centric nationalist tradition, but is nevertheless liberal democratic and hence unlikely to return to its exclusivist territorial expansionism of the first half of the twentieth century). In any case, the present reality is that Russia's economy is much too integrated with Europe, and China's is much too integrated with Northeast Asia (not to mention the US), for there to be any serious integration between Russia and China that would supplant their primary economic dependencies.

India and China are geopolitical rivals in South Asia and the Indian Ocean, and still occasionally have border clashes in the Himalayas. During the Cold War, India was adept at playing the Soviet Union and the US off of each other, and will likely continue to do this with a diminutive Russia and China added to the mix. And while China has replaced the US as Brazil's number one trading partner, this alone does not mean that they are now best friends forever. Chinese support for Brazil's candidacy for a permanent seat on the UN Security Council, for example, has not been forthcoming, and Brazil does not defend China's territorial claims against Japan's de facto control of the Senkaku Islands. In any case, what was seen as a source of strength only a few years ago – increasing trade dependence on China as a way to diversify away, and perhaps even decouple, from the US – is now a source of weakness due to Chinese growth slowing since 2013, as Brazil (and even Australia) is currently discovering. Mexico, because of its dependence on exporting to the US, and the latter's renewed dynamism, has now the most robust growth in Latin America.

Also, even if certain large commodity exporters were redirecting their trade away from the US and towards China, these exporters were still indirectly dependent on Western consumers, since China is still dependent on Western consumers. China's domestic infrastructure investment and property explosion can only last so long, and pick up only part of the slack from declining exports to the West. Either way, the "commodities supercycle" is over.³³ Brazil's export dependence on China is proving to be a liability, and President Rousseff is recently trying to make amends with Washington after the spat over Edward Snowden's revelations in 2013. And on top of all of this, since 2013 the growth rates of the BRICs are no longer "rapidly rising"; they are in fact declining. In 2014 the United States had a faster growth rate than either Brazil or Russia, despite having a vastly more developed political economy.

As for South Africa's inclusion in the BRICS Summit, this is more an indication of South Africa's diplomatic adroitness (coupled perhaps

3 Starrs 2014.

with the BRIC desire to appear geographically inclusive and to avoid charges of European-style neo-colonialism) than any South African economic power – a minnow compared to China, whose GDP in 2013 is more than twenty-five times larger than South Africa's. In fact, in 2013 China's GDP was 1.4 times larger than the rest of the BRICS combined.

This leads to another point. When we are talking about the rise of the BRICS as a potential challenge to the American-centered world order, we are really only talking about China. This doesn't mean, however, that the rise of the BRICS is meaningless. Far from it. First of all, the rise of the BRICS – or at least the BRICs, without South Africa – means precisely what Jim O'Neill, Chief Economist of Goldman Sachs when he coined the term in 2001, meant it to mean: that there are now four very large political economies that provide attractive investment and business opportunities for Western capital. Again, this is most true for China, and foreign capital and investors have certainly taken notice. So when an investment banker sitting in Wall Street looks for attractive investment opportunities outside the United States, he or she must now not only scour Western Europe and Japan, but also the BRICs, and other emerging markets. This is certainly different from the early 1950s, when a Wall Street investment banker would predominantly only focus on the United States (the more adventurous ones might also take a peek at Canada), or in the 1970s when a Wall Street banker would only investigate opportunities in North America, Western Europe, and Japan (albeit the latter was largely closed). But again, this increasingly expanding universe of business opportunities since the 1950s does not at all necessarily imply that American economic power has therefore declined. Indeed, as I argue above,⁴ due to the nature of globalization, the capitalist rise of the BRICs actually means that in certain respects American economic power in the world is now greater than it ever was, because it now reaches virtually the entire planet (whereas in the 1950s of course, vast swathes of the Eurasian landmass were under the sway of a non-capitalist model that was closed to American penetration).

Second, in terms of global governance, the rise of the BRICs does mean that there are now not only more actors involved, but that these new actors are beyond the Triad. Whereas the G8 was sufficient in the 1990s, we now also have the G20 (albeit the G7 still meets, now without Russia again). Whereas the IMF and World Bank were the dominant intergovernmental organizations concerned with global finance, we now also have the (much smaller) BRICS Bank (albeit all BRICS continue to contribute to the IMF and the World Bank).

Whereas before we had the Asian Development Bank, we will soon also have the Asian Infrastructure Investment Bank (but again, China, not to mention the other AIIB members, will still contribute to the Asian Development Bank).

From the perspective of offering an alternative to the American-centered system, the Asian Infrastructure Investment Bank (AIIB) is probably the most significant so far, and has certainly received more attention than the BRICS Bank (not bad for an IGO that hasn't even been established yet! The AIIB is planned to be formally established by the end of 2015). After twenty-one countries signed the Memorandum of Understanding in October 2014, it was unclear how significant the AIIB would be, especially since the United States at the time successfully lobbied key Asian allies such as Japan, South Korea, and Australia to not join. But after the United Kingdom shocked everyone including the US (and apparently even China) and applied to join the AIIB in March 2015, the floodgates were open as Germany, France, Italy, Australia, South Korea, and others soon followed, totaling fifty-seven applicant countries by the end of April. This marks possibly the first major rift in the Triad in relation to the rise of China – or to put it more bluntly, the first time key American allies such as Britain and South Korea have disobeyed American orders concerning Asian geopolitics, instead apparently siding with China. Naturally, many commentators see this as stark evidence of the decline of American hegemony in the face of the rise of China.

Ho-Fung Hung, however, argues (convincingly in my opinion) that China's initiative in creating the AIIB is actually a sign of Chinese retreat.⁵ For over a decade China has been offering vast sums of loans on a bilateral basis (over \$650 billion in 2001-2011), especially to Africa. But these loans are invariably attached to the condition of awarding the infrastructure projects to Chinese state-owned enterprises, which even bring their own Chinese labor force (which has led to the development of Chinatowns in various Sub-Saharan African cities). More and more African leaders, from South Africa to Zambia, from Angola to Nigeria, are characterizing these Chinese bilateral loans as neo-colonialism. Considering the history of Mao's support for

4 Starrs 2013b, 2014.

5 Hung Ho-Fung 2009, 2015.

anti-colonial struggles in Africa in the 1950s and 1960s, this label stings. It is partially in this context that China is now reversing its insistence on bilateral relations and is creating multilateral financial institutions to improve its image and gain greater acceptance and legitimacy. This is especially important in Asia as China's increasing aggressiveness since 2012 in asserting its territorial claims in the East and South China Seas has backfired and soured relations with its various neighbors (albeit reportedly since Presidents Obama and Xi Jinping met at the APEC Summit in November 2014, China has since softened its assertiveness in the region in terms of military incursions).

And as G. Bin Zhao, the China consultant for the European Bank for Reconstruction and Development, points out, China needs the AIIB to be rated triple-A in order to access cheap and easier financing.⁶ China's own sovereign credit rating is AA-, so the inclusion of Germany, Switzerland, and the UK, among others, will help to shore up the AIIB's credit rating, but this will also be dragged down by members such as Iran, Kazakhstan, Kyrgyz Republic, Myanmar, Nepal, and Uzbekistan. Also, the AIIB has not been formally established yet so it is still unclear what the voting mechanism and governance procedures will be, but what is probably safe to assume is that with the five largest European states now having joined (Germany, France, the UK, Italy, and Spain) in addition to other important advanced industrial countries such as the Netherlands, Sweden, and Switzerland, China will be very unlikely able to dominate proceedings, not least to demand that AIIB projects be predominantly awarded to Chinese state-owned enterprises. Obviously unlike Chinese bilateral loans, Chinese SOEs will now have to compete over infrastructure contracts against some of the world's top consulting, construction, engineering, and heavy machinery firms based in Europe. All of this dilutes and limits whatever potential influence China may gain from the AIIB.

So while the context in which these American allies have disobeyed American orders to not join the AIIB is perhaps the most embarrassing diplomatic flop for the United States in East Asia since the withdrawal of troops from Vietnam in 1973, the AIIB will unlikely present a challenge to the broader American-centered world order. Trillions of dollars will be invested in Asian infrastructure in future decades, and some of this will be financed by the World Bank, some by the Asian Development Bank, some by the BRICS Bank, and some by the Asian Infrastructure Investment Bank. But they all complement each other, and there is certainly enough demand in infrastructure development for all these IFIs to co-exist and even cooperate. The AIIB and Asian Development Bank have already announced that

they will cooperate managerially and financially on projects. And by the end of April 2015, even President Obama had to admit that the AIIB could be useful for Asian development, and not necessarily a threat to the existing (American-centered) order.

“

TRILLIONS OF DOLLARS WILL BE INVESTED IN ASIAN INFRASTRUCTURE IN FUTURE DECADES, AND SOME OF THIS WILL BE FINANCED BY THE WORLD BANK, SOME BY THE ASIAN DEVELOPMENT BANK, SOME BY THE BRICS BANK, AND SOME BY THE ASIAN INFRASTRUCTURE INVESTMENT BANK

In any case, while these international financial institutions (IFIs) are significant, we mustn't forget that financing from IFIs (including the IMF and World Bank) pales in comparison to financing by foreign capital, whether FDI or from Wall Street. And as I have shown in my data compilation,⁷ Wall Street has actually increased its dominance since 2008. This dominance feeds back into the central position that the US state plays in global finance. In mid 2015, one of the biggest uncertainties is how each emerging market (including China) will suffer from the US Federal Reserve increasing its interest rates possibly later in the year, thereby ending the era of easy money that has provided liquidity around the world since late 2008 (incidentally, thereby acting as the World Central Bank, a role that no other central bank can approach). Even the mere suggestion in May 2013 by Federal Reserve Chairperson Ben Bernanke of tapering quantitative easing in the future sparked what came to be known as the “taper tantrum,” in which there was capital flight from emerging markets back to the West of \$64 billion between June and August just in mutual funds.⁸ Overall, the Institute of International Finance has estimated that in 2013 there were net outflows from emerging market equities totaling almost \$400 billion.⁹ Moreover, the World Bank has estimated that quantitative easing and US interest rates account for roughly “60% of the increase in capital flows into developing countries between 2009 and 2013.”¹⁰

Both the BRICS' large foreign exchange reserves from their (now slowing) export sectors and these new BRICS-driven financial institutions can help to cushion the effects of the whims of Western capital, but this is merely a defensive reaction and it is clear that

6 G. Bin Zhao 2015.

7 Starrs 2013b, 2014.

8 Atkins 2014.

9 Plender 2014.

10 Atkins 2014.

Western capital – and the US Federal Reserve and US Treasury – are the ones with the real economic power. Certainly there is no foreseeable scenario on the horizon for the Chinese central bank to have this kind of power, for its interest rates to affect the flow of trillions of dollars around the world. This will be the case for at least as long as Wall Street continues to dominate global finance, among other factors.

Nevertheless, it is indeed a new development that major actors in what was once known as the Third World are now – out of their own initiative and *not* under American leadership – establishing intergovernmental organizations (IGOs) that help to promote capitalist development. But this is the key point. These still-in-the-process-of-being-established IGOs will serve to further their constituents' integration and development *into* and *within* global capitalism. Lest we have forgotten, in the not-too-distant past Russia and China were trying to establish a non-capitalist international system that was explicitly *opposed* to global capitalism (and to a lesser extent India, via the Non-Aligned Movement and the New International Economic Order). China gave up this project in the late 1970s, and Russia a decade later. Global capitalism is now so deeply entrenched that even the most stridently anti-capitalist powers of the twentieth century are now actively contributing to the maintenance and further development of global capitalism (in different and uneven ways).



THE UNITED STATES WILL CONTINUE TO BE
THE BAKER OF GLOBAL CAPITALISM FOR THE
FORESEEABLE FUTURE

And as Leo Panitch and Sam Gindin have chronicled in their monumental *The Making of Global Capitalism: The Political Economy of American Empire* (2012), we cannot understand the nature of global capitalism without understanding the central role of the United States as its author and guarantor. There is no indication that the BRICS are seriously contemplating challenging this central role of the United States (global consumer of last resort, world central banker, global military balancer and guarantor, among others), whether as a bloc or separately. Certainly the arrival of more actors itself cannot be used as evidence that these new actors are attempting to fundamentally challenge the nature of global capitalism.

To return to the example of the previous revival and growth of Western Europe and Japan in the 1960s and 1970s, yes, there are now more

actors, and yes, as their relative economic weight expands they will try to increase their voice in the global governance of the system, and yes, there will likely be both more competition and more opportunities for American capital, but all of this does not imply that these new actors will try to establish an alternative order that challenges the role of the United States in global capitalism. Whether or not certain states within Western Europe (such as France in the 1960s or West Germany in the 1970s), or Japan in the 1980s, occasionally expressed a desire to challenge, or at least temper, certain aspects of American hegemony, they did not – and still do not – have the capacity to replace the central role of the United States in global capitalism.

Merely one example: to be the ultimate source of dynamism in and hence driver of global capitalism, a political economy must be its most important advanced industrial consumer, which not only requires a large and wealthy integrated and relatively liberal consumer market but also the capacity to run persistent trade and payments deficits with the rest of the world. In this regard, not to mention financially and militarily, the export-driven BRICS, for the foreseeable future, have much less capacity than the EU – let alone the US.

Therefore, it is not enough to have a large share of world GDP, as this larger relative share does not necessarily translate into greater power in world order. The share of the BRICs' national accounts is rising just as Western Europe and Japan arose before, but when we peer into the nature of the rise of the BRICs, their rise is even less impressive than the previous rise of Western Europe and Japan. In the latter, their rise encompassed the revival, development, and growth of indigenous capital eventually able to compete with American capital, at least in certain sectors such as automobiles, chemicals, commodities, and so on. Yet Western Europe and Japan still cannot leverage this greater economic competitiveness to challenge American hegemony in the system as a whole. The BRICS have even less capacity. This is not to deny, however, that the BRICS now have greater capacity to compete for a greater share of the capitalist pie than ever before, and notably also over who gets to sit at the table with nice cutlery or eat the crumbs from the floor with their bare hands – but they do not challenge the one that bakes the pie. The United States will continue to be the baker of global capitalism for the foreseeable future. And as every baker knows, they get first dibs on everything that comes out of the oven.

What are the main factors which allowed the United States to maintain its position of leading economic power? Which peculiarities of the American political and economic system make this country so successful in nurturing

global TNCs and can they be replicated elsewhere (for example in the BRICS countries)?

There are some factors that are well known, and others that are less talked about. American culture is unusually conducive to creativity and innovation. Of course, culture is not fixed and should not be reified or mystified, and it is often difficult to disentangle what is the result of the “organic” historical development of a people in a particular place and what is an elite identity construct nurtured from above to facilitate power. Nevertheless, I have lived in Canada, Denmark, Japan, New Zealand, the US, and now China (and have traveled to 46 countries), and I firmly believe that there is something different about the United States. The rugged individualism and frontier mentality of exploring the unknown, the general distrust of authority, the eternal optimism and hope, the relative freedom (especially if you are a white male), the embracing of change and dynamism and risk, the relative openness of the society - these are all conducive to creativity and innovation. And some of these cultural norms filter into the legal and regulatory framework. For example, it is much easier to declare bankruptcy in the US and to start over (again and again), than it is in Europe or Japan – not only does this reflect a “can-do” optimism, but this instills greater risk-taking, leading to more dynamism. Also, while there are many problems with class, hierarchy, homophobia, racism, religious intolerance, sexism, and xenophobia in the United States, generally speaking, relative to most of Europe and certainly Japan, the United States is more open and less conservative (at least on the two coasts and the major cities), and a poor immigrant in the United States has a greater chance of improving his/hers living standards than probably in any other country in the world. This openness continues to attract the world’s top talent, helped by images of success and the “American Dream” from Hollywood and American media. Silicon Valley is full of ethnic Indian, Chinese, and other immigrants (such as from Eastern Europe), and faculty at the top American universities is also very international. Immigrants are less likely to try their luck in nation-states that cultivate an illiberal ethno-centric nationalism, such as China, Japan, Russia, and so on. Put another way, there are very few countries in the world that are open enough to elect a foreign-born muscle-builder and action star with a thick accent as leader of one of the most important sub-national governments in the land (Arnold Schwarzenegger as Governor of California, 2003-2011). All of this is conducive to creativity and innovation.

But more importantly, we have to acknowledge the particular – and therefore non-replicable – historical development of the United States. From the mid-nineteenth century onwards, the United

States embarked upon the first continentally integrated industrial development in the world. Building the railroads from the eastern seaboard to the vast farmlands of the Mid-West via Chicago was by far the largest industrial project up to that point. The Chicago Board of Trade was established in 1848 and in 1864 listed the world’s first commodity futures contract, to help farmers protect their income against bad harvests. To bring farmers’ produce from the Mid-West to the heavily populated east coast, as well as for export to Europe, the railroads were laid, giving rise to the “robber barons” such as Andrew Carnegie, J.P. Morgan, John D. Rockefeller, and Cornelius Vanderbilt. This era also saw the rise of the corporation as a specific institutional form, granted immortal personhood by the US Supreme Court in 1886. A couple decades later Henry Ford transformed mass production and urban/suburban design, and with the rise of advertising in the 1920s, the world’s first and largest mass consumer market was spawned. US state policies in the 1930s (New Deal initiatives such as the creation of the Federal National Mortgage Association in 1938) and 1940s (such as the G.I Bill in 1944, granting low interest mortgages to returning veterans) established the world’s largest home-owning population (otherwise known as the “middle class”), and concomitant explosion in the mass consumer market.



AMERICANS ACCOUNT FOR 40% OF
THE WORLD’S MILLIONAIRES IN 2014
DESPITE AMERICAN GDP
ACCOUNTING FOR “ONLY”
23% OF THE WORLD’S GDP.

All of these “firsts,” and more (such as the rise of mergers and acquisitions and ideology of “shareholder value”), ensured that American corporations continued to pioneer the frontiers of organizational and technological advancement throughout much of the twentieth century. When a relatively small number of American corporations dominated their continent-sized home market, many used this historical experience and leverage to begin foreign direct investment abroad, especially in Europe from the 1960s onwards. With increasing worldwide liberalization of finance in the 1980s and 1990s, Wall Street then followed suit, increasing American investment and ownership abroad. By the twenty-first century, as I have shown in my research,¹¹ American corporations dominate the globe, especially at the technological frontier. Moreover, Wall Street owns vast chunks of global capital, whether based in Europe or Asia,

11 Starrs 2013b, 2014.

or in emerging markets – this means that American investors own and profit from not only corporations domiciled in the United States, but also newly arising corporations around the world, including in the BRICS. This is one reason why Americans account for 40% of the world's millionaires in 2014 despite American GDP accounting for “only” 23% of the world's GDP.

It is also worth noting that many of the top American corporations today in 2015 have origins in either the first industrialization wave in the latter half of the nineteenth century (AT&T, Berkshire Hathaway, Coca-Cola, ExxonMobil, General Electric, Goldman Sachs, J.P. Morgan Chase, Johnson & Johnson, Pfizer, Procter & Gamble, Wells Fargo, and so on), or in the first establishment of a mass consumer market in the first half of the twentieth century (Bank of America, Boeing, Caterpillar, CVS Caremark, Dow Chemical, Hewlett-Packard, IBM, General Motors, Ford, Walt Disney, and so on). The range and depth of this collective and individual historical experience being at the center of the development of global capitalism in the most important consumer market in the world has myriad advantages for these corporations, and at the very least we should not underestimate their capacity to effectively respond to whatever international competition may arise in the future (from the BRICS or elsewhere).

Furthermore, while it is well known that the United States has by far the largest military budget in the world (and we must not forget ancillary spending such as the Department of Energy and NASA), it is less discussed how this military spending acts as an industrial policy for advanced technology in the United States. The list of innovations that have been directly or indirectly (such as through research grants to MIT and Stanford University) funded by the Pentagon and then commercialized by American corporations is very long indeed – basically the foundation of the information-technology (IT) revolution in the latter half of the twentieth century, from the integrated circuit to the Internet, from satellite technology to containerization on ships. The Pentagon even helped to kick-start Japanese and South Korean post-1945 growth during the Korean and Vietnam Wars, respectively. Also less discussed is the power of the US state to defend and promote the interests of American corporations abroad, whether through military interventions or trade and other diplomatic negotiations, or imposing sanctions and tariffs. Of course, all capitalist states protect and promote “their” corporations, but it follows that the most powerful states will likely be able to do so more effectively.

An interesting case that requires more research is how American IT firms more or less repelled increasing Japanese competition in

the 1980s and 1990s, arguably the only serious challenge posed to American advanced technology over the past seven decades. Japanese technology firms such as Fujitsu, Hitachi, NEC, Panasonic, Sharp, Sony, and Toshiba seriously challenged, and in some cases surpassed, American technology firms up until the mid-1990s. By the turn of the century, however, the pendulum swung back in Silicon Valley's favor, and by the end of the 2000s, the former Japanese titans were notable for their enormous profit losses.¹² The Reagan and Clinton Administrations played a significant role in this reversal, both by pressuring Japan to liberalize aspects of its developmental state protectionism and subsidies, and by the US itself redirecting more state investment into research and advanced technology such as semiconductors.

Equally important were the transformations within the industry itself, from the shifting importance of hardware to software, and from production to services. By the beginning of the twenty-first century, generally speaking those firms that were flexible and risk-taking enough to outsource production and instead focus on higher value design, marketing, research and development, services, and software, were the ones that out-competed those firms that insisted on retaining the production of what became highly commoditized and low-margin consumer goods. More often than not, the former were American and the latter were Japanese. And because of the insistence of Japanese corporations such as Fujitsu, NEC, Panasonic, Toshiba, Sharp, and Sony on retaining their low-margin digital cameras, DVD players, laptops, TVs, and so on, they now have to compete against South Korean, Taiwanese, and more recently Chinese firms which have lower costs. American firms, however, such as Apple, Cisco, IBM, and Intel restructured to prioritize high value R&D, services, software – not to mention those American firms such as Amazon, Google, Facebook, and Microsoft that transformed entire sectors and business models. Again, it is this flexibility, dynamism, openness to risk and change – not to mention by far the world's largest military-industrial complex, among other factors – that give American advanced technology a daunting edge that so far only Japan in the 1980s and 1990s seriously challenged. But the Japanese challenge was in hardware, never software, the latter of which now has greater weight in advancing the frontiers of technology. In software and advanced business services, American supremacy has never been in question, and has only increased since 2008.

¹² Japanese automobile (Toyota, Honda, Nissan), heavy machinery (Mitsubishi, Hitachi), and some electronics (Canon) firms are notable exceptions that continue to challenge, and in some cases (Toyota, Canon) surpass American firms.

If we assume that the rise of the BRICS is largely a product of expanding globalization lead by TNCs based in the Triad countries (US, EU, Japan), could we interpret the growing political cooperation of those emerging powers (not least in contesting Western dominance of the international system) as a way towards something akin to a “global labor union?”

As much as that would be nice for labor, I don’t think so. The main reason is because the governments of the BRICs represent their ruling classes, not labor. They have all fully embraced capitalism, even if different variants of it (from the more liberal democratic of Brazil and India, to the illiberal authoritarian of China and Russia, all four espouse a variant of state capitalism). And the definition of a capitalist state is one that protects, promotes, and represents the interests of capital, more or less (depending on the balance of social forces within each country). The interests of capital are often opposed to the interests of labor (at a micro-firm level, increasing wages and benefits often hurts profits). In any case, since the BRICs have fully embraced capitalism, it is more likely that these states will want to join a “global capitalist union” rather than a “global labor union.” Since 1945, capitalists of the world have united under the hegemony of the United States. The BRICs, especially China, will use the best of their capacities to continue negotiating and renegotiating their terms of membership in the “global capitalist union,” and this will likely further hinder the capacities of labor in the struggle against capital. The prospects for a “global labor union” organized by the governments of the BRICs would heavily depend on labor in each of the BRICs being able to shift the balance of social forces and challenge the hegemony of capital within their own countries.

In other words, labor in the BRICs would need to challenge both foreign and indigenous (often state) capital within their nation-states first, before their governments would protect the interests of labor against capital, whether at home or abroad. In this regard, as with virtually all others, each BRIC is different. India is still largely

“ THE NEWLY MINTED CAPITALIST CLASSES IN THE BRICS DO NOT EXHIBIT A COLLECTIVE DESIRE TO BITE THE HAND THAT FEEDS THEM

a peasant society, and Russia has replaced working class solidarity with nationalism. Chinese labor has made significant gains since the wave of strikes and industrial actions in the aftermath of the Honda strike in 2010, but its agency as an independent social force

is still precarious in China (and technically illegal).¹³ Labor in Brazil (including the MST, the Landless Peasants’ Movement) has perhaps the most advanced prospects in the struggle against the domestic elite power structure, but is still far from the capacity to organize a global labor union, whether with labor of the other BRICs or perhaps more ideally with labor in the West.

Regardless, as discussed above, I don’t see much “growing political cooperation” amongst BRICs in “contesting Western dominance.” China is spearheading a number of initiatives (the BRICS Bank, the Silk Road Fund, the Free Trade Area of the Asia-Pacific, the Asian Infrastructure Investment Bank), but all of these at most complement the American-centered IGOs and IFIs, and do not seek to challenge, much less replace, them. China continues to be an active participant and supporter of the IMF, World Bank, World Trade Organization, G20, and so on. There is certainly nothing like the Bandung Conference of 1955, the creation of the Non-Aligned Movement, the calls for a New International Economic Order in the 1970s – not to mention the efforts towards world communist revolution in Africa, Eurasia, and Latin America. Those were rhetorical and actual efforts by a number of countries in the Second and Third Worlds (including three of the four BRICs) to establish an alternative to Western dominance. Having failed, the BRICs have now firmly forgotten this goal, and strive to integrate with American-centered global capitalism rather than fundamentally challenge it, because of course their elites benefit from it as well (for example, Russia and India have some of the most USD billionaires in the world, and China now has over one million USD millionaires – this is all a result of their integration with American-centered global capitalism). The newly minted capitalist classes in the BRICS do not exhibit a collective desire to bite the hand that feeds them – exporting to the West in a more or less liberal international economic order – and this implies the continued suppression of the organizational capacities of labor.

In your academic works you build out the case that purely national measures of power are no longer adequate for analyzing the balance of economic power under conditions of globalization. But what about political effects

13 For an excellent source on following Chinese labor, see: China Labour Bulletin.

of economic power? How does the dominance of the global economy's commanding heights by American TNCs influence the US government's position in international politics vis-à-vis other great powers? To put it another way, can Washington leverage the power of the TNCs to support its foreign policy or are they rather independent actors unwilling to toe the government line overseas?

One's answer to this hinges upon one's state theory, especially one's understanding of the relationship between state and capital. Liberals and neoclassical economists see capital (or in their lingo, firms) as independent from the state, and therefore capable of challenging the state and perhaps even over-powering or supplanting the state. Realists see the state and national interest as prior to corporate interest in the global system. Critical and other heterodox political economists see a more complex institutional relationship. I fall in the latter camp. In my opinion,¹⁴ in a country that can be described as capitalist, state and capital are in a mutually beneficial symbiotic relationship of concentrated power. This is at a macro level. At a micro level, in the relationship between the state and any given corporation, the relationship is asymmetric, and predominantly in favor of the state. This is certainly true of the United States (the US government is more powerful than any single corporation), but it is also true of even some of the poorest states, if there is the political will. Bolivia, for example, has been the poorest state in South America for decades, but when Evo Morales was elected president in 2006, he had little problem re-nationalizing much of the commanding heights (from natural gas and mining to utilities and airports) that were privatized by previous presidents (under the guidance of the IMF and World Bank) in the 1980s and 1990s, even if these assets were now owned by some of the most powerful transnational corporations in the world.

In any case, in regards to the United States, it is easy to find examples of when the national interest as defined by state elites takes priority over corporate interest, and there is very little corporations (even corporations not domiciled in the US) can do about it. When the US decides to impose sanctions on Iran or Russia, the US throws the gauntlet: either to do business with us or with them. Transnational capital invariably chooses to do business in the US, and billions of dollars in fines have been dished out to those who have disobeyed American state orders, both domestic and foreign corporations, especially in banking but also in numerous other sectors.¹⁵ From another angle, it is obviously in the interest of American firms to

export dual-use military technologies to China (where there is certainly demand), but they do not because the American state says they must not. Note that this is irrespective of what the corporations actually want. It doesn't matter, since the power of the state, especially the US state, is prior.

In terms of what implications the continued power of American capital has on the American government's international relations, there are some very important ones. Partly because Wall Street continues to be the dominant force in global finance (and has in fact significantly increased its dominance since 2008), the US Federal Reserve (or even just the New York Fed and New York's Attorney General) and US Treasury have disproportionate power around the world. The dominance of the American aerospace and defense sector is vital for the dominance of the Pentagon. The dominance of Silicon Valley and American control of the Internet is crucial for the National Security Agency, as demonstrated by Edward Snowden. The dominance of American shale firms has implications on the energy security of the United States, and its relations with oil-exporting countries (making it much easier to impose sanctions on Russia and put Venezuela back on the state-sponsoring terrorist list, as US President Obama has done recently). The dominance of the American retail sector is one factor that drives America's role as the world's most important consumer, with market access being an important source of leverage in the US state's negotiations with other states.

The dominance of American media is an important contributor to American soft power, from which the US state draws advantages (for example, when the US invaded Iraq in 2003, many around the world portrayed US President George Bush and his administration negatively, rather than the US nation or state-capital nexus as a whole, due to deeper popular beliefs that the US is basically "good"). The dominance of American business services means that other capitalist states will continue to rely on the US state to push for liberalization in the global trade in services, and to protect intellectual property rights. The American dominance in consulting, financial services, and other advanced knowledge sectors aids the US state in heavily influencing and shaping the general ideological agenda in global governance, policy, and best practices. The American dominance of food gives the US state influence in affecting other states' food security, for example by providing food aid to the Caribbean and Sub-Saharan Africa. More broadly, the greater the dominance and dynamism of American capital in general, the greater the tax revenues of the US state, hence the greater the resources the US state can employ in its international relations.

14 Starrs 2013a.

15 Starrs 2013a.

One of the most intriguing points you make in your research concerns the economic power of China. You prove that the dynamic growth of the Chinese economy does not necessarily translate into the rise of Chinese TNCs. However, there are growing signs that the government in Beijing is trying to leverage the country's growing attractiveness as both a production center and a market to force foreign TNCs into sharing know-how with their Chinese partners. Could such tactics potentially "turn the tables" in the story of China's economic development?

The Chinese government has been doing this for over thirty years now (albeit less since China joined the WTO in 2001 as a result of membership conditions). There have been both relative successes and failures. Two notable cases of success and failure are in high-speed trains and automobiles, respectively. The Japanese high-speed train maker Kawasaki entered into a joint venture with the Chinese state-owned enterprise CSR (China South Locomotive & Rolling Stock Industry) in 2004, sharing its technology in order to produce trains jointly. By 2007, CSR was rolling out high-speed trains under its own brand that looked suspiciously like the ones that Kawasaki had shared, except for a different paint scheme and other minor alterations.¹⁶ Non-existent less than a decade ago, China now has the largest high-speed rail system in the world by kilometers of track, and CSR dominates. Kawasaki threatens to sue for intellectual property infringement if CSR attempts to export its high-speed trains abroad.¹⁷ There have also been criticisms that China has rolled out the high-speed rail system too rapidly, cutting corners on for example technology, training, and testing required for safety. In July 2011 there was a tragic high-speed collision resulting in 40 deaths and 210 injuries, partially due to manufacturing faults and poor safety measures.¹⁸ By contrast in Japan, after carrying more than ten billion passengers over its 50-year history, there has not been a single fatality or even injury due to derailment or collision on the Japanese bullet train.

Probably the most important sector for joint ventures is automobiles. One of the first joint ventures between a Chinese firm and a major Western corporation (in any sector) was formed in 1984 by SAIC (Shanghai Automotive Industry Corporation) Motor and Volkswagen. SAIC also formed an important joint venture with General Motors in 1997. Therefore, perhaps it is not a coincidence that SAIC Motor is today the top Chinese auto firm, and in 2014 is in fact the tenth largest auto firm in the world according to the *Forbes Global 2000* (which annually ranks the world's top 2,000 corporations

“ THE GREATER THE DOMINANCE AND DYNAMISM OF AMERICAN CAPITAL IN GENERAL, THE GREATER THE RESOURCES THE US STATE CAN EMPLOY IN ITS INTERNATIONAL RELATIONS

by a composite index of assets, market value, profit, and sales). If we look more closely, however, SAIC Motor is actually not as successful as it appears. In the first three quarters of 2014, SAIC reported that it made over \$3.5 billion in equity income from its joint ventures with General Motors and Volkswagen, but it *lost* over \$620 million on its own branded vehicles.¹⁹ Indeed, it would appear that Volkswagen and General Motors have been able to gain more from their three decade and over fifteen year joint ventures, respectively, than SAIC, since VW and GM has been either the number one or number two auto firm in China for the entire twenty-first century. In fact, the combined market share of all foreign auto firms in China has only been increasing, reaching a combined 80% in passenger vehicles by 2014. That the roughly 120 Chinese auto firms have a combined 20% market share in passenger vehicles in their own domestic market, after over three decades of heavy state ownership, intervention, joint-ventures, protectionism, subsidies, preferential treatment, and so on, is a spectacular failure of Chinese industrial policy. It is also in stark contrast to the success of the Japanese and South Korean automobile industrial policies. Some of the structural limitations of the Chinese political economy for establishing competitive Chinese transnational corporations are discussed in the next section.

How would you judge the chances that the growing share of BRICS countries in the global GDP will eventually translate into a corresponding rise of TNCs originating in those countries? Are BRICS diversified in the climate they create for the growth of their TNCs? If so, then which of them can be expected to achieve the greatest success in this task?

As mentioned above, the only BRICS worth discussing in this regard is China. And China already has some globally competitive TNCs such as Haier, Huawei, Lenovo, and PetroChina, as well as some more regionally competitive ones, such as CITIC Securities, Industrial and Commercial Bank of China, Geely, Xiaomi. But there are a number of uncertainties and structural barriers concerning whether China can develop international competitiveness across the sectoral diversity and depth of the EU, Japan, or the United States. One important factor is whether China can overcome its fragmented

16 Shirouzu 2010.

17 Knowledge@Wharton 2011.

18 Knowledge@Wharton 2011.

domestic market and consolidate a handful of “national champions” that can use dominance in their domestic market as a springboard to compete abroad. The main structural barrier to this is that each of the major provinces wants to maintain, protect, and promote “their own” state-owned enterprises (SOEs). This is for example why there are around 120 automobile firms in China today. There were around 200 auto firms in the US in the early twentieth century, but they have consolidated to two and a half (General Motors, Ford, and Chrysler which is owned by Fiat). But no Chinese province wants to relinquish “their” SOEs in favor of other provinces’ SOEs, and the result is continued fragmentation in the domestic market, far more than in Japan or the United States. Hence, in the key sectors that are open to foreign competition in China, such as automobiles and advanced technology, foreign firms already invariably dominate.

This is the antithesis of how Japan and South Korea developed, strongly protecting and promoting “their” national champions, to the extent that Japanese cars still dominate in Japan today and South Korean cars still dominate in South Korea. Japanese and South Korean firms can then use these secure domestic positions as springboards to compete abroad. Chinese SOEs in the vast majority

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LIMITING DYNAMISM FOR POLITICAL REASONS
IS NOT CONDUCTIVE FOR CHINESE FIRMS TO
COMPETE INTERNATIONALLY

of cases do not have this capacity, let alone private Chinese firms, which are structurally disadvantaged in China due to the state preference (including financially and legally) given to state-owned enterprises. And as my Masters student Liu Mingtang has pointed out, in those sectors that are dominated by Chinese SOE oligopolies (often by Chinese state decree), they present a Great Wall to economic dynamism, especially from new (usually private) firms. Limiting dynamism for political reasons is not conducive for Chinese firms to compete internationally against the most dynamic TNCs in the world.

Only a revolution in social relations within China itself could fundamentally change the structure of the Chinese political economy. This is because the power of the Chinese Communist Party in large part depends on its continued ownership of key sectors of the Chinese political economy. There are other barriers as well, such as

the continued global supremacy of American advanced technology²⁰ that not even the EU or Japan could dislodge after five decades (as discussed above, only Japan came close towards the end of the twentieth century, but by the dawn of the twenty-first century the US comfortably repelled Japanese competition in most advanced sectors except automobiles). In any case, the structural barriers that the nature of the Chinese political economy presents to itself seem daunting enough without considering the seven-decade global dominance of American capital, and American economic power.

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by S. Paz



MARKETPLACES ARE AMONG THE FEW PLACES WHERE EMERGING MIDDLE CLASS MEETS LOWER CLASSES DIRECTLY. (NEW DELHI 2015)

POWER

IN 2025. A **GLOBAL**
RANKING

RAFAŁ WIŚNIEWSKI
BRIAN HENSARLING

abstract

ACCORDING TO REALIST PERSPECTIVE IN THE STUDY OF INTERNATIONAL RELATIONS, DISTRIBUTION OF POWER AMONG NATIONS IS ONE OF THE KEY FEATURES DEFINING THE CHARACTER AND CONFIGURATION OF THE INTERNATIONAL SYSTEM. REGARDLESS OF THE THEORETICAL PERSPECTIVE ONE EMPLOYS, IT IS UNDISPUTABLE THAT MATERIAL RESOURCES (TERRITORIAL, DEMOGRAPHIC, ECONOMIC OR MILITARY) AVAILABLE TO MAJOR POWERS ARE AN IMPORTANT ELEMENT IN EVERY ANALYSIS OF INTERNATIONAL RELATIONS. AS THE INTERNATIONAL SYSTEM UNDERGOES A SIGNIFICANT SHIFT OF POWER (GENERALLY TO THE ADVANTAGE OF THE SO-CALLED BRICS COUNTRIES) THE AUTHORS FOUND IT USEFUL TO PROPOSE A FORECAST OF A GLOBAL POWER RANKING IN A TEN YEARS PERSPECTIVE. IT EMPLOYS A MODIFIED CLINE'S FORMULA OF NATIONAL POWER IN ORDER TO ASSESS THE MATERIAL POTENTIAL OF PROSPECTIVE GLOBAL POWERS IN 2025. THE AIM IS BY NO MEANS TO AUTHORITATIVELY PREDICT THE

FUTURE DISTRIBUTION OF POWER IN THE INTERNATIONAL SYSTEM. THE AUTHORS PREFER TO EMPLOY THE "R/EVOLUTIONS" FORECASTING METHOD TO IDENTIFY AND EXPLAIN KEY TRENDS, WHICH WILL SHAPE THE GLOBAL PECKING ORDER OF THE NEXT DECADE.

NATIONAL POWER, FORECASTING, MAJOR POWERS, DEMOGRAPHY, GLOBAL ECONOMY, MILITARY POWER.

keywords

FORECASTING IS ARGUABLY THE MOST DEMANDING TYPE OF BOTH SCHOLARLY WORK AND POLICY RELEVANT ANALYSIS IN THE FIELDS OF INTERNATIONAL RELATIONS AND INTERNATIONAL POLITICAL ECONOMY. SOCIAL SCIENCES' TRACK RECORD IN PLOTTING FUTURE TRAJECTORIES OF BROAD SOCIAL, POLITICAL AND ECONOMIC TRENDS IS MIXED AT BEST. GIVEN THE COMPLEXITY OF THE INTERNATIONAL SYSTEM, COMPREHENSIVE SCENARIO-BUILDING IS QUICKLY OVERCOME BY WORLD EVENTS, AND THE PRETENSE OF PRESENTING A "HARD" PROGNOSIS IS EQUALLY UNREALISTIC. INSTEAD, WE AIM TO MAP THE VARIABLES THAT WILL MOST AFFECT THE INTERNATIONAL "PECKING ORDER" OF 2025, AND THEREFORE TO IDENTIFY MACRO-LEVEL TRENDS THAT REQUIRE CLOSER ATTENTION OF INTERNATIONAL RELATIONS ANALYSTS. IN THIS ENDEAVOR WE HAVE USED ELEMENTS OF THE FORECASTING METHODOLOGY DEVELOPED BY THE EDITORIAL TEAM OF THE ACADEMIC JOURNAL "R/EVOLUTIONS GLOBAL TRENDS & REGIONAL ISSUES."¹

Keeping in mind the challenges associated with forecasting, this report will proceed according to the following framework. First,

¹ Based on the report (with permission) by the Young Leaders Working Group: Rafał Wiśniewski (leader), Armin Haeblerle, Brian Hensarling, Matthew Henry Kroenig, Jennifer Stutsman, presented at the Tripartite Young Leaders Conference "The European Union in Crisis and the Transatlantic Partnership in Trouble," Washington, D.C., October 15th -18th, 2013.

we will introduce the formula by which we combine national characteristics in order to compare comprehensive national power on a state-by-state basis. In the second section, we will identify and define our “key variables;” those important elements and characteristics of states that collectively determine a state’s overall national power. Thirdly, we forecast the change of these variables over the course of the next decade on a state-by-state basis, thus projecting the future trajectories of the leading international powers. Finally, we provide some conclusions regarding the trends that bear the greatest attention.

WHAT IS COMPREHENSIVE POWER?

The *comprehensive national power* concept forms the cornerstone of our research. From the very genesis of the discipline, scholars of international relations have wrestled with the question of how to measure national power. At its most essential, this comprehensive power is an aggregate combination of means of influence that make possible the achievement of national objectives. Though many models and approaches have attempted to describe the relationship between the components of national power, our study will utilize an adapted version of Ray Cline’s power formula.² In its original form it reads as follows:

$$P = (C + E + M) \times (S + W)$$

Where:

P: Perceived power
C: Population and territory
E: Economic capability
M: Military capability
S: Strategic purpose
W: Will to pursue national strategy

² Cline 1975, after Kondrakiewicz, 1999: 54-56.

Cline’s power formula makes a bold assertion: that national power can somehow be reflected in a numerical, mathematical argument. The process of quantifying such abstract concepts as *the will to pursue national strategy* or *strategic purpose* is complicated at best. Determining the correct weighting for different factors within each variable would require extensive modeling, comparing past great powers within each metric and attempting to discern the correct relative values of each to accurately reflect the geopolitical landscape. That, frankly, is beyond the scope of this paper. Cline’s formula serves as a starting point from which we can move to a deeper study of the interrelated aspects of national power, it does not serve as a foolproof forecasting tool.



POPULATION FORMS THE BEDROCK
OF BOTH ECONOMIC AND
MILITARY POWER

It is true that this formula was developed several decades ago, and its mechanical and deterministic nature may make it appear overly simplistic at first glance. But despite its age and perceived rigidity, the categories used by Cline to measure national power are broadly defined. These fluid definitions facilitate the retooling of his metrics to make them more accurate and relevant to the current state of geopolitics. We have therefore adopted the following updated definitions of Cline’s key variables, retaining their core meanings and relationships while adapting them to better suit the present context.

DEFINING KEY VARIABLES

(C) Population and territory becomes Demographic potential -
The nature of demography makes it a more dynamic factor than the simple physical geography enclosed by a state’s boundaries. Moreover, population forms the bedrock of both economic and military power. A large workforce and consumer base both contribute significantly to economic growth. In a similar manner, manpower remains a prerequisite for the generation of military capability, even despite momentous changes in the art and technology of war. In consequence, a truly global economic and political power must draw upon a large population base with significant human

capital. More specifically, factors such as the population growth rate, age structure, life expectancy, and degree of urbanization of the population provide useful indicators by which to determine the relative strength or weakness of a state's human resources. Throughout history, states have rarely achieved the position of a major global power or found the stamina to dominate the international stage over the long term without the benefit of good demographics.

(E) Economic potential - In order to fully reflect this concept, we have chosen to focus on the three areas with the greatest bearing on an economy's dynamism: *capital*, *energy* and *innovation*.

In today's globalized and hyper-connected economy, no state can afford to remain completely outside the flow of international trade. Despite this, the vicissitudes of markets and exchange rates can wreak havoc on individual economies that find themselves too dependent on this system. Economic power is created at the confluence of these two phenomena, as states tap into global markets to promote growth while retaining the distance required to insulate themselves from damaging external shocks.

Indicators such as average GDP growth, size of financial reserves, debt-to-GDP ratio, financial stability, and the number of economically influential cities provide a means to ascertain a state's capital and financial resources, and by proxy its connectedness with (or independence from) global markets. The political consequences of dependence on foreign capital in the contemporary world economy have been laid bare on a handful of occasions in the 21st century. As a result of the European Financial Crisis, bailed-out Eurozone members such as Ireland, Portugal and especially Greece were exposed to deep outside intervention in their domestic politics. Similarly, Iran and Russia have suffered significant economic blows due to international economic sanctions whose effectiveness was due to their reliance on international markets.

Energy constitutes the lifeblood of modern economies and is a necessary input for all fields of economic activity. It also provides for the daily requirements of a country's citizens. A reliable and affordable energy supply is thus crucial for a state's ability to develop its economy. Simply having large oil reserves is not a panacea, however, as dropping oil prices can exact a toll on economies that rely too heavily on petro-dollars. Conversely, when energy prices are high, dependence on imported energy can prove extremely costly even for wealthy and highly developed economies.

Finally, in the current era of rapid technological and scientific progress, the global economic pecking order is increasingly influenced

by economic innovation. Technological advancement (particularly in the Information Technology sphere) has disrupted one sector after another in what Brynjolfsson and McAfee have termed the "Second Machine Age."³ At its most basic, this Second Machine Age allows those who are able to harness and advance cutting edge technologies stand to reap great benefits in the global economy.

(M) Military potential - Despite the fact that traditional interstate warfare has been relatively rare over the past half century, military power remains a prerequisite for great power status. The most quantifiable manifestations of this status are defense spending, military materiel and manpower. Generally speaking, a state can leverage the right combination of these inputs to provide power projection capabilities. Having military capable of projecting power beyond domestic borders determines whether a given state is truly a global military power, or whether it is simply a local force whose influence is constrained to its immediate neighborhood.

(S) Strategic purpose & (W) Will to pursue national strategy - Strategy, as well as the will to put it into motion, is an immensely important factor. It determines whether the human and material inputs of *Demography*, *Economic capability*, and *Military capability* will be efficiently and effectively applied to achieve a state's strategic objectives. However, despite their importance *strategic purpose* and *will* are extremely difficult to quantify and fluctuate according to the humors of the leaders of the time. As such we have decided to leave the assessment of their value to the readers and will focus on the more tangible instruments of foreign policy.

Updating Cline's formula for the 21st century - An updated version of Cline's equation developed by us for the purpose of this analysis thus becomes the following:

$$P = (C + E + M) \times (S + W)$$

Where:

P: Perceived power
C: Demographic potential
E: Economic potential
M: Military potential
S: Strategic purpose
W: Will to pursue the national strategy.

3 Brynjolfsson, McAfee 2014.

It is important to note at this point, that our approach to comprehensive national power and its measurement is by no means comprehensive. It clearly tilts towards the realist paradigm in International Relations scholarship with its emphasis on material capabilities as the defining characteristic of states and relations between them. Although the concept of power is not foreign to other schools of IR theory (like neoliberalism, constructivism or neomarxism) it is construed in a different manner. It was a conscious methodological choice of the authors to narrow the scope of the paper to measurement of selected aspects determining the material part of comprehensive national power.

We are fully aware that data provided in this paper do not tell the full story of the analyzed states' potential to become (or remain) major global powers. Such important variables as the character of given state's political regime, its ethnic and religious constellation or (especially) the effectiveness of its institutions in transforming material resources and conditions into actual, usable national power exert great influence on the international position of any state. In this paper we propose a model for measuring largely material underpinnings of national power. In order to fully assess the international standing of states analyzed in the course of this paper the aforementioned – not strictly material – factors related to overall “state capability” in order to wield national power need to be taken into consideration. Moreover, such rankings as ours are prone to generalizations and do not fully capture the uniqueness of every state's political, social, religious or ideological environment.

POINT OF DEPARTURE: TODAY'S MAJOR
ECONOMIC AND POLITICAL POWERS

A detailed analysis of the comprehensive national power wielded by all 190-plus states in the world presents a challenge far beyond the scope of this paper. Thus, a need arises for a means to narrow the final selection of countries that will comprise the focus of our research. From the outset, we adopted a relatively short forecasting horizon of ten years. This limited span allowed us to begin with the assumption that the ranks of major global powers over the course of the next decade will be composed primarily of states which today already possess significant comprehensive national power. In order to create this initial list of major powers, we cross-referenced rankings of three

metrics: population⁴ (reflecting *Demographics*), nominal GDP⁵ (reflecting *Economic capability*) and defense spending⁶ (reflecting *Military capability*). The result is a list of sixteen states, which can be divided into four categories.⁷

1) **Tier 1 powers:** States ranked in the top 10 in all three metrics:

- Brazil
- People's Republic of China
- India
- Japan
- Russian Federation
- United States

2) **Tier 1.5 powers:** States in the top 25 in total population and also ranked in the top 10 in GDP and defense spending:

- France⁸
- Germany
- United Kingdom

3) **Tier 2 powers:** states ranked in the top 20 in at least two metrics

Top 20 in GDP and population:

- Indonesia
- Mexico
- Turkey

4 CIA World Factbook a.

5 World Bank a.

6 The Military Balance 2014: 23.

7 Countries are listed in alphabetical order within each tier definition.

8 It is important to note that France, Germany, UK and Italy are members of the European Union. The supranational character of this organization and its unique competences in chosen areas (like for example external trade relations) naturally allow to treat it as a single geopolitical (or maybe rather geo-economic) actor. However, due to the fact that member states' power has been “communitized” only in selected areas (mainly dealing with economic issues) we have refrained from treating it as an object of analysis in this paper.

Top 20 in GDP and defense spending:

- Kingdom of Saudi Arabia
- South Korea (Republic of Korea)

4) Tier 3 powers:

- Iran: top 20 in population and defense spending, and 32nd in GDP.
- Italy: 23rd in population, top 10 in GDP, and top 20 in defense spending.

4. Forecasting trajectories

Having thus established a short list of current major powers, we will analyze the demographic, economic and military potential of those sixteen states and their most likely individual trajectories over the next 10 years.

DEMOGRAPHIC POTENTIAL

The overall size of the country's population,⁹ while certainly important, is also naturally only a starting point for the assessment of its demographic potential. The following additional indicators should also be considered:

- Population growth rate**¹⁰ - Population size does not remain static, and the rate of growth has important implications for overall demographics.
- Age structure**¹¹ - The ratio of working age adults to both youths and elderly persons is known as the dependency ratio and is an extremely important metric when judging a country's human capital. It illustrates the economic burden placed on each country's coffers by citizens outside of the normally productive years of life. A high ratio of working age citizens to dependents provides

⁹ World Bank b.

¹⁰ World Bank c.

¹¹ World Bank c.

- a "demographic dividend," freeing domestic resources that can be used to promote influence abroad. For the purpose of this study we have used the World Bank's projection of the dependency ratio in the year 2025 for the countries under consideration.

- Life expectancy**¹² - serves as an indicator of a population's overall health. Individual health and general well-being contribute to an economy's vitality, as well as the quality of the military recruitment pool.

- Total Urbanization and Urbanization Rate**¹³ - The distribution of population between rural and urban areas has a direct impact on a country's economic prospects.¹⁴ While the agricultural output of rural areas plays an essential role in providing for a population's sustenance and can generate substantial export revenue, it is not as economically productive as the manufacturing and service sectors. Although growing urbanization does not directly enrich a country, it does create the potential for a greater share of the workforce to participate in high productivity, high return sectors of the economy.

Data on the aforementioned indicators for the sixteen selected states is presented in Table 1.

¹² World Bank d.

¹³ UNDESA 2014.

¹⁴ The authors would like to thank Vera Karin Brazova from Charles University in Prague for suggesting this indicator.

Table 1. Indicators of demographic potential

No.	State	Total population (2025, in millions)	Annual Growth rate (2014-2025)	Dependency ratio (2025)	Life expectancy (2012)	Total urbanization (2030)	Average annual rate of urbanization
1	China	1423,3	0,3%	44,6%	75,2	62,6%	2,4%
2	India	1418,7	1,0%	47,9%	66,3	37,6%	1,1%
3	USA	345,9	0,7%	60,2%	78,8	82,9%	0,2%
4	Indonesia	282,0	1,0%	45,4%	70,7	58,6%	1,5%
5	Brazil	217,5	0,7%	45,0%	73,7	86,9%	0,3%
6	Russia	135,7	-0,3%	51,1%	70,6	76,2%	0,1%
7	Japan	120,6	-0,4%	72,6%	83,2	94,6%	0,6%
8	Mexico	138,2	1,0%	48,6%	77,2	81,2%	0,4%
9	Turkey	83,7	0,9%	47,4%	75,0	76,4%	0,7%
10	Germany	78,9	-0,3%	61,8%	81,0	77,5%	0,3%
11	Iran	88,1	1,1%	44,5%	73,8	76,4%	0,8%
12	France	69,3	0,4%	65,1%	82,7	81,2%	0,3%
13	UK	67,5	0,5%	60,1%	81,6	84,2%	0,3%
14	Italy	59,6	0,0%	61,2%	83,0	71,8%	0,2%
15	South Korea	52,1	0,3%	49,8%	81,5	83,9%	0,1%
16	Saudi Arabia	34,2	1,4%	39,5%	75,6	84,9%	0,3%

Based on the data presented in Table 1, we have organized these states into three basic categories: *growing*, *stable* and *declining*.

1) Growing Demographic Potential:

Brazil, India, Indonesia, Iran, Mexico, Saudi Arabia, Turkey, United States: These countries can expect their total population to increase significantly in the coming ten years. However, a burgeoning population is not necessarily beneficial. That is why we find it necessary to take into account the specific situation of different countries in this group.

a) **India** lies at one extreme of this spectrum. It can expect fast population growth in the coming decade; however, its life expectancy is nowhere near the global leaders. This indicator presages serious health problems and general shortcomings for well-being, which may inhibit socio-economic development. Additionally, India still has a large, though currently untapped, potential for increases in urban population with large shares of rural dwellers and slow rates of urbanization. In general, this state can expect to see its demographic potential swell in a quantitative sense, however a serious question remains: how will its government manage the qualitative side of these changes (well-being and potential issues arising from urbanization)? For this reason, population growth in India has the potential to prove socially and politically disruptive (this will of course be contingent on a host of economic and political factors). Additional social challenge is posed by a growing “gender gap” (similar in nature to China’s).¹⁵

b) **Brazil, Indonesia, Iran, Mexico, Saudi Arabia and Turkey** will enjoy population growths similar to India’s. The crucial difference lies in the fact that in these states health indicators are much better, urbanization ratios are higher, and rates of urbanization are lower. This suggests that they should be better equipped to absorb their growing populations in a way that will cause less social and political disruption. In this group, **Brazil** exhibits the slowest population growth rate and highest level of urbanization. This bodes well for creating demographic stabilization on broadly advantageous terms. The **United States** is a very curious case in this category. Its projected population growth rate is on par with Indonesia and

Iran and exceeds Brazil’s. With good health indicators¹⁶ taken into consideration, a trend towards the healthy expansion of demographic potential should be expected. However, the dependency ratio in the coming decade will grow significantly and further gains from rapid urbanization seem unrealistic. Despite the inflow of immigrants, an aging population means that America’s demographic position will stabilize rather than expand.



POPULATION GROWTH IN INDIA HAS THE
POTENTIAL TO PROVE SOCIALLY AND
POLITICALLY DISRUPTIVE

2) Stable Demographic Potential:

China, France, South Korea and the UK: This category includes states which, if current trends prevail, can expect their populations to remain stable. This can be advantageous for them, as they will maintain a healthy demographic base that supports comprehensive national power without experiencing the social, economic and political disruptions that may follow a population’s rapid growth or decline. There are some important differences between countries comprising this group, however. **France** and the **UK** will see their population growth rates level-off, although not alarmingly so. They can also boast good life expectancy and high urbanization rates, which together could make for a favorable demographic picture. However, they both have an Achilles’ heel in the form of disadvantageous age distribution structures reflected in high projected dependency ratios. These high dependency ratios could seriously inhibit their economic prospects.

South Korea presents a picture similar to most Western European countries, but its projected population growth is significantly slower. **China** is in the most interesting situation of all four countries in this group. Its population is projected to grow at South Korea’s rate, but its dependency ratio will remain healthy throughout this period. It also has a significant potential for economic gains stemming from increasing urbanization. This same urbanization raises the potential for political unrest, however, leaders in Beijing seem to

¹⁵ The Economist 2015.

¹⁶ Naturally, as with all the other states, the raw data do not paint a full picture. US population faces a wide range of health challenges connected to “civilizational diseases.” It can be exemplified by problems with overweight and obesity (NIDDK 2012).

be well aware that they must manage this evolution carefully. It is also worth noting that a growing “gender gap” creates a significant demographic challenge for China. Growing disproportion between the number of men and women is a source of numerous social problems which are not easy to tackle.¹⁷

3) Declining Demographic Potential:

Germany, Italy, Japan, Russia: This category groups together countries subject to worrying demographic trends. On current trajectories their populations are actually projected to shrink; a development that carries with it a number of negative socioeconomic consequences. The final effects of this trend will differ, however. For instance, **Italy, Japan** and **Germany** enjoy excellent health indicators and high urbanization ratios, so any negative impacts should be relatively minor. **Russia's** indicators are much more alarming (short life expectancy, negative overall growth rate), and the country seems to be in a precarious situation, indeed.

ECONOMIC POTENTIAL

Turning to an analysis of the economic potential of the sixteen states under analysis we have adopted eight indicators that, taken together, paint a detailed picture of a state's economic health.

- a) **Total GDP and Average GDP growth**¹⁸ - While the total size of an economy is important in determining its relative weight, its rate of growth can also be an indicator of a number of diverse factors: innovation, changes in productivity, or technological advancement, for example. Notoriously difficult to project in the long term, this metric nevertheless provides an important indication of how current trends can be expected to impact individual economies.
- b) **GDP per capita**¹⁹ - presents a useful measure of the general wealth of a country's citizens as well as their productivity. More populous nations carry an advantage in total GDP figures, consequently it is

helpful to look to GDP per capita for a clearer understanding of an economy's level of development, regardless of size.

- c) **Financial reserves**²⁰ - serve to stabilize the economy in hard times and can even yield – potentially – political power. Despite this, large foreign reserves are not necessarily a sign of economic power by themselves. For instance, the US has relatively small foreign reserves compared to its economy, but suffers little if any negative consequences simply because the US dollar functions as the global reserve currency. This means that becoming a lead currency is even more beneficial than holding large reserves. This is exactly what Europe has tried to achieve with the introduction of the euro and what China is also cautiously trying to do by, for example, allowing the yuan to serve as legal tender in international trade. Depicted in the chart are each state's financial reserves, expressed as the total number of months of imports they could be expected to purchase.
- d) **Debt-to-GDP ratio**²¹ - reflects the overall health of public finances and a measure of to what extent governments are able to finance expenditures through their own revenue base. Heavily indebted governments are vulnerable to the pressure of international financial markets (especially when a significant portion of public debt is held by foreign creditors).
- e) **Economically influential cities**²² - in many countries, the largest cities actually project power far beyond their national boundaries and with global trends of urbanization the power of cities is likely to grow in the future.
- f) **Leading global companies** - as correctly pointed out by Sean Starrs, simple national accounts of output and capital do not tell the whole story in the current globalized economy.²³ As Trans-National Corporations expand their reach, they have developed sophisticated production chains that reach across state borders. It does not mean, however, that their “nationality” (the domicile of their headquarters) does not matter. Global corporations can conduct operations in many states, but ultimately the greatest economic benefits are reaped by the parent companies which control these elements and which create and hold the majority of the added-value (e.g. brand recognition, technical know-how, or patents). As a consequence, we

¹⁷ See for example: The Economist 2015.

¹⁸ OECD 2014; Data for Iran and Saudi Arabia; Conference Board 2012.

¹⁹ World Bank e.

²⁰ World Bank f.

²¹ CIA World Factbook b.

²² Florida 2011.

²³ Starrs 2013.

have assessed each state's share of the companies on Forbes' Global 2000 list of leading global companies, and used this data to assess each state's position in the global value chain.²⁴

- g) **Financial stability**²⁵ - serves as an indicator of broader stability and viability of a country's financial system, especially as maturing economies need vibrant financial markets and liquidity in order to support companies with funds for investment and growth. **Global Innovation Index ranking**²⁶ - this ranking demonstrates + a given economy's ability to innovate and to leverage new technologies and find new means to promote growth and prosperity.

- h) **Proven oil and gas reserves**²⁷ - illustrates the amount of these key energy resources a state holds within its borders. The sale of oil and gas bolsters GDP and provides a source of energy to power industry. Additionally, large domestic reserves can insulate a state from shocks to the international supply system.

- i) **Net energy imports**²⁸ - indicate a state's energy security and the degree to which its national import budget is affected by changes in the global price of oil and other sources of energy.

Table 2. Indicators of economic potential

	State	GDP (2025, in billions, USD)	Average annual GDP growth (2013-2025)	GDP per capita (2013)	Financial reserves (in months)	Debt to GDP ratio	No. of cities in top 25	Companies in Global 2000	Financial stability (2014)	Global Innovation Index (position)	Proven oil & gas reserves (2013)	Net energy imports (% of energy use)
1	USA	20.025,6	2,7%	\$53.041	2,1	72,5%	4	563 / 28%	AA	6.	30,5 / 308,4	22%
2	China	21.987,6	5,5%	\$6.807	19,0	31,7%	3	207 / 10% ¹	BB	29 (10-HK)	24,4 / 155,4	8,75%
3	Japan	4.569,6	1,0%	\$38.634	14,2	214,3%	2	226 / 11%	A	21	0,1 / 0,7	82,75%
4	Germany	3.296,6	1,2%	\$46.269	1,8	81,9%	0	52 / 3%	A	13	0,2 / 4,1	59,5%
5	France	2.592,6	2,3%	\$42.503	2,3	90,2%	1	66 / 3%	A	22	0,1 / 0,3	48%
6	UK	2.938,1	2,8%	\$41.787	1,2	90%	1	10 / 0,5%	A	2	3,0 / 8,6	24,25%
7	Brazil	2.820,3	2,5%	\$11.208	12,8	58,8%	1	25 / 1%	BB	61	13,2 / 13,7	6,75%
8	Italy	1.944,9	1,8%	\$35.926	3,4	127%	0	30 / 1,5%	BB	31	0,6 / 2,1	83,25%
9	Russia	3.504,6	2,9%	\$14.612	11,5	7,70%	0	10 / 0,5%	BB	49	80,0 / 1688,0	-82,5%
10	India	8.437,5	5,8%	\$1.499	5,9	49,6%	0	54 / 3%	BB	76	5,7 / 47,0	26,5%
11	South Korea	2.286,8	3,3%	\$25.977	6,2	36,7%	1	10 / 0,5%	BBB	16	0,0 / 0,2	81,25%
12	Mexico	2.254,4	2,9%	\$10.307	4,6	35,9%	1	16 / 0,8%	BBB	66	10,1 / 17,1	-25,75%
13	Indonesia	2.170,6	5,7%	\$3.475	5,6	23%	0	9 / 0,5%	BB	87	3,6 / 104,4	-79,75%
14	Turkey	1.816,5	4,6%	\$10.972	5,5	36,1%	0	12 / 0,6%	BB	54	0,3 / 0,2	70%
15	Saudi Arabia	967,4	2,2%	\$25.962	35,5	11,5%	0	20 / 1%	BBB	38	268,4 / 290,8	-219,75%
16	Iran	451,9	1,7%	\$4.763	Insuff. Data	19,9%	Insuff. Data	0 / 0%	CCC	120	157,3 / 1193,0	-64,5%

²⁴ Forbes 2014.

²⁵ EIU.

²⁶ The Global Innovation Index 2014.

²⁷ EIA.

²⁸ World Bank g.

Analysis of these data allowed us to divide our subject countries into four main categories: strong and stable economic powers, fast growers with challenges, states with stable economic positions, and states on a downward economic trajectory.

Strong and stable economic powers:

China and the USA: In economic terms these two states comprise a class of their own. On current projections, in ten years these two will be the only \$10 trillion economies in the world and will vie for the position of top global economy. What is interesting is the fact that the two economies are direct opposites when it comes to their strong and weak points. The US has a very high GDP per capita, is home to an unparalleled share of top global companies, enjoys considerable financial stability and displays a high level of innovation and investment in research and development. The American economy scores less well on such measures as projected growth rate (healthy but hardly breakneck), indebtedness and energy self-sufficiency. At the same time, China can boast a much higher (though slowing) projected rate of growth, low levels of public debt, enormous financial reserves and relative energy self-sufficiency (for the time being). However, its Achilles' heels can be identified as low per capita GDP, a high level of financial risk and a low level of innovation. It seems that answering the question of who will top the economic pecking order will depend on whether the US will be able to reinvigorate its economy and sustain its current level of prosperity and how China will handle its transition from middle-income to mature economy. Both the US and China possess enormous economic assets and thus a potential for stable long-term growth unparalleled among the countries in this study.



CHINA AND THE USA COMPRISE
A CLASS OF THEIR OWN

1) Fast growers with challenges:

India, Indonesia, Turkey: These economies show strong signs of continued and dynamic economic growth. They also benefit from relatively low levels of public debt. **India** hosts a large number of top global companies while **Indonesia** is a net exporter of energy. These are all important strengths for these growing states. Despite this, all three face significant challenges from financial risk and low innovation, which may cast long and dark shadows on their future growth trajectories.

2) States with stable economic positions:

France, UK, Brazil, Mexico, Saudi Arabia, South Korea: Across the board, these states' data are promising enough to allow for the sustainment of their current growth trajectories, however, each of them lacks the drivers to propel them to fast growth. With this in mind, they can be expected to stabilize their current economic potential with slow and steady growth in the near future. This in itself is not necessarily bad, but they must watch out for signs that slow growth is giving way to stagnation. Current levels of development are strongly heterogeneous across this group, so stabilization can mean quite different things for different members. Thus, we have divided them into two subcategories.

a) High income: Germany, France, South Korea, UK

The leading European economies are forecast to grow at unimpressive rates for the next decade. At the same time, a sharp deterioration in their economic standing is not on the horizon. Low levels of financial risk and healthy innovation, as well as a noticeable cohort of leading global companies indicate a potential to maintain a strong position in the global economy and perhaps even to expand within it. However, these European powers are also weighed down by slow growth rates, high public debt and negative net energy import balances (although here, the **UK** has a markedly different outlook). The most probable scenario for these states is stabilization at the current level of development, which

for some time should prove to be quite comfortable for their populations. **South Korea** still lags the leading EU powers in terms of its economy's overall size and GDP per capita. Nevertheless, in many ways it is a mature economy with high innovation and a healthy (if not startling) growth rate. Its main drawbacks are financial risk, a lack of energy self-sufficiency and its precarious geopolitical location.

b) Middle Income: Brazil, Mexico, Saudi Arabia

These three countries show positive growth trajectories. However, it can be argued that they too lack the strong drivers necessary to propel them to high growth rates. For instance, they could do much to improve innovation and decrease financial risk. However, it does not mean that they lack potential for further expansion. **Brazil** and **Mexico** have large domestic markets and diversified economies. All three countries also have favorable energy resources, with **Saudi Arabia** standing out as a true energy superpower. However, questions remain as to whether the Kingdom will be able to successfully diversify its economy beyond the oil sector, although the enormous financial resources at Saudi Arabia's disposal significantly improve the odds of realizing that goal. It must also be noted that both Mexico and Saudi Arabia are disadvantaged by political instability in the form of a drug war in the former and a turbulent geopolitical neighborhood for the latter (not to mention uncertainties surrounding the long term viability of its political regime and serious questions about the effectiveness of its state apparatus).

4) Laggards:

Japan, Italy, Iran, Russia: This group displays worrying trends in their economies, though each has its own reasons for concern. In general, the developed economies of **Italy** and **Japan** exhibit good innovation and moderate levels of financial risk. Dragging them down, however, are poor growth, expanding debt, and deficiencies in energy self-sufficiency. To a degree, it can be

argued that their positions are not too different from some of the EU countries we have classified as stable. However, their histories of anemic growth and high debt burdens make their positions extremely precarious. Moreover, extensive debts and dependence on energy imports make them highly vulnerable to external shocks, though in the case of Japan, this risk is somewhat diminished by the fact that most public debt is owed to Japanese creditors and not to foreign bondholders. Certainly, both Japan and Italy possess the potential for a rebound, and in this context Japanese companies' large representation in the Global 2000 group is especially noteworthy. The question is whether the political leaders of these two countries will find a formula that will transform this potential into a high growth engine.

Of all the states in this category, **Iran** faces particular challenges. While the others are developed economies, Tehran's dependence on oil revenues and its immature, still-developing economy have been crippled by international sanctions. Unless a breakthrough is found in nuclear talks, its stagnation and decline will continue. Finally, **Russia** presents another unique case. An analysis based solely on the data presented in this report could arguably place Russia in the stable, middle-income category. However, the numbers presented in Table 2 do not fully capture the long-term effects that the current stand-off with the West over the Ukrainian conflict may have on the Russian economy. Capital flight, sanctions, a tumbling ruble and cheap oil have proved to be a combustible mix, rapidly sabotaging Russia's mildly favorable economic outlook. Naturally, many of these factors are potentially temporary and their long-term implications are hard to forecast. However, they have exposed the weaknesses of the Russian economy and generally make Moscow's economic position highly vulnerable.

MILITARY POWER

The Prussian military philosopher Carl von Clausewitz famously described war as "the continuation of politics by other means," and any discussion of state power must necessarily include mention of military capability. In an offensive context, military power provides the ultimate

means of coercion when projected beyond a state's borders. Defensively, it provides protection against threats to a state's resources, secures the integrity of its physical boundaries, and gives a measure of assurance against outside interference in its internal affairs. Additionally, military capability is a key component in determining a state's relative influence within partnerships or alliances as diverse as NATO, the Arab League, or the African Union. States that wield large and effective militaries find it much easier to advocate for the collective pursuit of their interests in this context than do their less well-armed partners. Although the application of military force can have significant long-term negative repercussions, the potential for military action is a formidable contributor to a state's power and will continue to be in the future.²⁹

The balance of four basic indicators gives an overview of a state's potential for military power.

- 1) **Active duty military manpower**³⁰ - military history shows that numerical superiority does not guarantee victory, but it is also true that "quantity has a quality of its own." A truly potent military power needs to possess substantial manpower in order to mount operations that are large in scale or extended in duration.
- 2) **Military expenditures**³¹ - defense expenditures are a rough indicator of military power as they are a crucial enabler for the generation of military capabilities. Defense spending as a percentage of a state's GDP can also serve as a demonstration of a government's emphasis on the importance of defense (or lack thereof). Moreover, high military spending can signify a state's will to play an active role in the international strategic environment.
- 3) **Nuclear weapons** - although not used in combat since 1945, they remain a potent tool in foreign and security policy. Their unparalleled potential for destruction made them into an ultimate symbol of great power status and they retain their potency today.
- 4) **Military Power Projection Capability** - although calculated based on a number of factors, power projection capability essentially refers

to a state's ability to apply military force outside its borders. When all other means of achieving policy aims have failed, power projection provides a final, coercive option. Simply possessing the capability to project military force may be enough to encourage allies or enemies not to act counter to a country's stated vital interests. Power projection is expensive and requires sophisticated equipment and training, all of which make it affordable for only the most robust economies.

Table 3. Current military power indicators.³²

	State	Military manpower (in thousands)	Military expenditure (in US \$m.)	Nuclear weapons	Current Power Projection Capability
1	USA	1,558	600,400	Yes	Global
2	China	2,333	112,173	Yes	Local / Regional
3	Russia	845	68,163	Yes	Regional / Global (Limited Duration)
4	Saudi Arabia	234	59,560	No	Local
5	UK	169	57,035	Yes	Regional / Global (Limited Duration)
6	France	222	52,352	Yes	Regional / Global (Limited Duration)
7	Japan	247	50,977	No	Local
8	Germany	186	44,201	No	Local
9	India	1,325	36,297	Yes	Local / Regional
10	Brazil	318	34,730	No	Local
11	South Korea	655	31,846	No	Local
12	Italy	176	25,229	No	Local
13	Iran	523	17,749	No	Local
14	Turkey	511	10,742	No	Local
15	Indonesia	396	8,366	No	Local
16	Mexico	270	5,775	No	Limited

²⁹ It's worth noting that this study speaks only about the relative strength of the potential military power of the states in our analysis. It says nothing of the political willingness to bring that power to bear in support of policy objectives.

³⁰ The Military Balance 2014.

³¹ SIPRI.

³² References for each of these indicators can be found in the preceding paragraphs.



CURRENT GEOPOLITICAL ATMOSPHERE
WILL CONTINUE TO DRIVE STATES TO
INCREASE AND EXPAND THEIR
MILITARY POWER

The period from 2010 to 2014 has seen a number of low-intensity conflicts, but the termination of combat operations in Iraq and Afghanistan by the US and its NATO allies are bringing large-scale, long-duration wars to a close for the time being. Despite this welcome development, simmering conflicts throughout the Middle East (Syria, Iraq, Yemen), Africa (Central African Republic, Nigeria, South Sudan, Mali), and even Eastern Europe (Ukraine) are keeping militaries and peacekeepers very busy indeed. It is precisely this type of low-intensity conflict that will largely characterize the security environment between today and 2025.

In addition to this “new normal” security environment of ever present local conflicts, there is evidence for genuine concern that this reprieve from high-intensity conflict may be short lived. Disagreements over land rights in the South China Sea threaten to boil over with the potential to bring any of a handful of Asian powers into direct hostilities. Meanwhile, Russia and NATO forces find themselves carefully eyeing events in eastern Ukraine in a worrying return to a semblance of Cold War tensions. The threat to the stability of the Middle East posed by the Syrian civil war and the rise of groups such as Islamic State could reach a tipping point, embroiling any number of the region’s powers in a regional conflict. True, the threat of warfare between major world powers has declined significantly since the dissolution of the USSR, taking with it the bipolar security construct that had defined international relations since the end of the Second World War. In its wake however, it has left a much less stable, multipolar world, and this current geopolitical atmosphere will continue to drive states to increase and expand their military power over the course of the next decade.

Beginning with the four indicators outlined above, and with the forecast geostrategic context in mind, we have sorted the major powers into four categories according to their expected capacity for military power projection in 2025.

1. Worldwide projection - A truly global reach with a military ready at a moment’s notice to conduct decisive operations around the world.

a. United States.

By virtue of a defense budget dwarfing all others, unparalleled technological capabilities, a highly professional military culture, and personnel experienced through a decade of combat, the United States will maintain military dominance for the foreseeable future. Though in relative terms its overwhelming advantage is declining, the US is peerless in its capability to project and sustain power to any corner of the globe and will remain so for the next decade.

2. Regional powers - Capable of pursuing (and achieving) national strategic objectives beyond national boundaries and of influencing states within their geographic region.

a. China.

Investments in high price tag military assets such as aircraft carriers, submarines and fifth generation fighter aircraft are tangible evidence of the Chinese desire to extend the reach of its military. These investments have gathered pace in recent years, and will continue to do so well beyond the next decade. Additionally, Beijing’s deployment of naval forces to distant waters (e.g. participation in multi-national anti-piracy operations in the Gulf of Aden, non-combatant evacuation operations in Yemen) provides valuable experience in managing the complications of conducting military operations far from home. With this increased experience comes confidence and if current trends continue this confidence could find an outlet in military actions in pursuit of Chinese interests in the South China Sea, Africa, or elsewhere. By 2025, China will be on the cusp of a capability for worldwide power projection should its leaders choose to pursue this.

b. Russia.

The government of Vladimir Putin has already demonstrated its willingness to exercise its military power numerous times in the 21st century, from Chechnya to Georgia, and most recently in Ukraine. The Russian defense budget increased by 282% between 2000 and 2014³³ and by 2014 was the 3rd largest in the world. Russia has roughly 11 bases abroad which house 20,000 personnel. Despite this, aging equipment limits Moscow’s reach primarily to former Soviet bloc countries, and due to forecasted pressures on the Russian economy, and thus the defense budget, the Russian military of 2025 will retain a regional projection capability, but will be less capable than it is today.

c. India.

Pressured simultaneously by the ongoing expansion of Beijing's military capability and tensions along the Kashmiri border with a still very unstable Pakistan, leaders in New Delhi feel pressure to increase not only their ability to defend themselves, but the need for power projection to demonstrate their resolve or intimidate their foes. With two aircraft carriers in service and one more (domestically built) poised to join the fleet soon, India is currently the world's largest arms buyer.³⁴ Pressed by competitors at its northern and western borders and desiring to maintain influence throughout the Indian Ocean, India will continue to modernize its forces and to invest in a blue water navy to increase its ability to carry out military options throughout the region.

d. UK & France.

Russian forays into Ukraine have given European leaders pause, but economic restraints will prove more potent than the fear of a reemergence of Cold War bogeymen. The militaries of the UK and France are well-equipped and well-trained, but with straining national budgets come aging hardware and the cancellation of future upgrades. France is down to a single aircraft carrier.³⁵ And while the UK has plans for two brand-new carriers, neither will see service before 2017 and it will be 2023 before both are fully operational.³⁶ This creates large gaps for both countries. NATO actions in Libya in 2011 and France's intervention in Mali in 2013 further highlighted a number of crucial shortcomings, specifically in command and control, targeting and strategic lift. Despite these limitations, each country has seven military bases located abroad, where they each permanently deploy over 10,000 personnel giving them flexibility and strategic reach. The UK and France will remain influential regional powers for the next decade, but their long-term ability to maintain this status and to resource military requirements appropriately remains to be seen.

e. Italy.

Though Italy has Europe's third largest economy, a growth rate hovering near zero will put continuous pressure on Italian military investment going forward. Italy has pared back the number of F-35 fighter aircraft it will purchase in the coming years, but two V/STOL (Vertical/ Short Takeoff and Landing) capable aircraft carriers will continue to provide flexible options

for power projection over the next decade.³⁷ Also, despite fiscal concerns the Italian government has been a stalwart supporter of military operations around the world, contributing over one thousand troops each to NATO's mission in Afghanistan³⁸ and to UN peacekeeping operations.³⁹ Italy's well-developed military, recent deployment experience, and beneficial geostrategic location on the Mediterranean Sea will maintain its regional influence through 2025 and beyond.

f. Japan.

Sino-Japanese disagreements over ownership of the Senkaku/Diaoyu islands are simply the latest event to have ratcheted up tensions in East Asia. Prime Minister Abe's government announced in July 2014 that it intended to reinterpret the constitution in such a way that it allowed collective defense of Japan's allies, thereby opening the door to significant development of the nation's military.⁴⁰ Although legislation would be required to truly redefine the character of Japan's Self-Defense Forces, there is unprecedented momentum in that direction. Geostrategic tensions in the region are unlikely to resolve themselves anytime soon and the growing arms race in Asia will continue to drive the expansion of Japanese military power.

g. South Korea.

Hostile neighbors make for a feeling of insecurity, and this is felt acutely in Seoul. North Korean artillery bristles just across the border, and disagreements with successive governments in Tokyo do nothing to support stability across the Sea of Japan. The heavy US military presence in the country also buttresses self-defense capabilities and could potentially encourage a more muscular South Korean posture in the region.

3. Local leaders - States possessing a modern and well-equipped military capable of ensuring the defense and stability of their borders against most adversaries.

a. Asia: Indonesia

With a large population and an advantageous geostrategic position along the Straits of Malacca and busy international shipping lanes, the stage is set for Indonesia to find increased clout within the Asian sphere. It remains

³⁴ The Guardian 2013.

³⁵ Defense Industry Daily 2014.

³⁶ BBC News 2014.

³⁷ Bloomberg Business 2012.

³⁸ NATO.

³⁹ UN a.

⁴⁰ CSIS 2014.

to be seen what sorts of changes the newly elected President Widodo will be able to effect on this sprawling, archipelago nation, but the sheer size of Indonesia's population gives it a substantial pool of possible military personnel. If the administration is able to bring stability to markets and grow the economy, it will also have the financial means to expand its armed forces, making it increasingly influential in the region.

b. Middle East: *Iran, Saudi Arabia and Turkey*

Instability has been a defining characteristic of the Middle East for decades and there is scant evidence that this unrest will dissipate in the near future. As it has so often happened throughout human history, this conflict will fuel the expansion of military capabilities across the region. Though this holds true for many of the states straddling the continental confluence of Europe, Asia, and Africa, it is most intensely powerful in Iran, Saudi Arabia and Turkey. The rivalry between Saudi Arabia as the foremost Sunni state and Iran as its Shia counterpart has profound implications for the balance of power in the region, as both states actively seek dominance within their respective near abroad. Turkey finds itself in the unenviable position of sharing a 500 mile border with civil war-torn Syria in the south, of containing emboldened Kurdish militias in the east, and of simultaneously facing off against an increasingly bellicose Russia that in early 2014 annexed the Crimean peninsula a mere 150 miles to the north. As a NATO member forming the physical bridge between Europe and the Middle East, Ankara has myriad reasons to expand and develop its military potential.

c. Europe: *Germany*.

Like most of Europe, Germany's economic growth in the wake of the financial crisis has been very weak and is not forecast to improve in the near future. In addition, Berlin has devoted an average of only 1.3 to 1.4% of GDP to defense expenditures in each of the last ten years.⁴¹ Granted, the sheer heft of the German economy helps to offset this otherwise undersized budget, but the national government has been circumspect in taking any actions that might be perceived as attempts to increase its ability to project power. The German position during the 2011 Libyan intervention exemplified the country's hesitation to wield its substantial military assets. Meanwhile, Russian aggression in Eastern Europe, from the Baltics to Ukraine, is slowly forcing Berlin to take a harder line in its relations with the Kremlin. If Russian saber rattling continues, the response may in fact be a more muscular German military and a consummate increase in German participation in operations abroad.

⁴¹ SIPRI.

d. Central and South America: *Brazil*

Brasilia wields what is undoubtedly Central and South America's most potent military force. With the only aircraft carrier in the region and a military budget nearly as large as its next two regional competitors combined,⁴² Brazil wields substantial clout. In addition, Brazil has provided the military leadership for the United Nations Stabilization Mission in Haiti since its establishment in 2004, contributing 2200 personnel and displaying its desire for leadership in the western hemisphere.⁴³ Brazil's geographic placement, with a long coastline and few nearby threats, means it is more secure than many of the other countries on this list, and thus there are fewer external pressures for modernization or military growth. The outlook is thus for Brazil to maintain its status quo dominance in the region.

4. Facing significant issues

a. *Mexico*.

Drug cartels continue to wreak havoc on Mexico's internal stability, diverting scarce financial and human resources that could otherwise be put to use expanding the economy and increasing Mexico's regional standing. In recent years the Mexican military has been sapped by the fight against the cartels, and as a consequence Mexico City's capability to project power beyond the country's borders is very limited. In September 2014, President Peña Nieto announced that Mexico would begin taking part in UN peacekeeping missions.⁴⁴ This significant departure from past policy will provide opportunities for Mexican military forces to gain operational experience in foreign climes. In all, the domestic challenges facing Mexico City over the next ten years will keep the government's focus on solving internal problems and the size or capability of the Mexican military is unlikely to change.

⁴² SIPRI.

⁴³ UN b.

⁴⁴ Reuters 2014.

CONCLUSIONS

To conclude our analysis, we shy away from presenting all-encompassing scenarios that provide a detailed description of the shape and character of the international economic and political hierarchy in ten years' time. Our goal is not to provide a quantified and updated version of Cline's formula with the hopes of precisely predicting the future laydown of the global geopolitical order. Rather, through our analysis we hope to highlight a number of trends that are worth watching in the coming years and that will shape the world of tomorrow.

First, two states clearly stand out in terms of their comprehensive national power. China and the US can be said to be in a class of their own. Though China won't catch up with the US by 2025 in absolute terms, the relative gap between the two is shrinking fast. With stable and large populations, long-term economic growth potential and significant military resources, these two clearly leave other aspiring powers behind. Naturally, their respective power positions are different. The US is the sole established superpower and primary architect and beneficiary of the current international system. China, on the other hand, is actively working to bend the rules of that system where it finds them too rigid, and to create its own institutions where that approach appears to maximize its interests. We do not mean to suggest that in the coming decade a G2-dominated world will emerge in which Beijing and Washington are the predominant powers. In fact, the multipolarity of the world over the next ten years will be its most striking characteristic. Despite that diffusion of power, our analysis shows that these two states are the only powers with the potential for maintenance of super power status in the long run.

There is also a large group of rapidly emerging, rising powers (e.g. India, Indonesia, Brazil, Mexico, Turkey and South Korea). Of these, we would like to highlight Brazil as a power to watch. With a robust population base (benefited by stabilizing population growth and positive health indicators), relatively solid economic foundations, expanding military capabilities and growing diplomatic activism it is on a trajectory to major power status. This is especially true as it aspires to become the leader of an economically dynamic Latin America.

Another clear trend is the declining position of most European powers. The relative stagnation of comprehensive national power in France, Germany, the UK and Italy is especially striking when compared with the dynamic

rise of a number of emerging powers. This is not to say that European power will evaporate anytime soon, of course. Old Europe will retain a number of strong assets as well as the potential to maintain its standing in global affairs. However, the relative position of these states on the world stage will gradually diminish. In this context, the potential accession of Turkey into the European Union (EU) offers some interesting prospects. Turkey is definitely a fast grower across the board (in demographics, economy and military potential), but it also stands to benefit from the know-how, technology and capital of the more developed nations of Western Europe. Whether Turkey's admission to the union could halt or slow the EU's decline in the global power hierarchy is a question worth pondering.



THE MULTIPOLARITY OF THE WORLD OVER
THE NEXT TEN YEARS WILL BE ITS
MOST STRIKING CHARACTERISTIC

Notably absent from our list of the sixteen most powerful states are any representatives from the African continent. Political instability, economic development that fails to keep up with scorching population growth, rapid urbanization and violent conflict will continue to act as immense brakes on the prospects of this vast continent. Though Africa certainly has a number of bright spots that can be expected to impress over the course of the next decade, none of its states will be found among the heavyweights on the world stage.

Finally, we would like to explore a few "black swan" alternatives – that is low probability (or even wholly unexpected), yet high impact scenarios. Iran is a case in point. In this analysis, the Islamic Republic fills the bottom slot of our top sixteen list. Despite this low ranking, it has a number of very significant and largely untapped sources of potential: a young population, a large domestic market, substantial energy reserves, and a capable military. To put it metaphorically, if Iran could find its Deng Xiaoping it has the potential for great advancement. A recent reduction in the level of tensions with the West through nuclear negotiations bodes well in this regard.

South Korea, another potential outlier, has a sophisticated and thriving economy coupled with rising military clout. It is somewhat constrained by an ageing population, but the greatest obstacle to its global rise is the unresolved conflict with its northern neighbor, which ties down its forces and strategic energy on the Korean Peninsula. Here, the black

swan potential is for unification of the two Koreas, most likely because of a collapse of the Kim government in Pyongyang. The question is: what would be the consequences of a unified Korea? On the one hand, it could benefit from complementarities between its halves. In this scenario its population would expand greatly, as would its stocks of natural resources. At the same time the economic costs and sociopolitical challenges of reunification would be enormous, inevitably diverting attention to solving domestic problems and putting a strong brake on any rise to prominence.

The study of the international balance of power does not lend itself easily to precise and minute forecasting. Tensions wax and wane, economies boom and bust, and the furious destruction and disruption wrought by natural disasters impact the global scene in ways that confound the forecasts of even the most seasoned geopolitical scholars. But as Shakespeare famously said: “past is prologue.” Taking current trends as a baseline, then adjusting for current and expected future developments, we have plotted the most likely trajectories of the world’s most influential states. Whatever the final outcome, one element is certain to endure: the relative power of individual states will continue to play a defining role in shaping the world of 2025 and beyond.

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by E. Kania



THE FINANCIAL HEART OF EAST ASIA- A VIEW OF HONG KONG'S CENTRAL DISTRICT FROM THE TIP OF THE KOWLOON PENINSULA.

MORE **THAN** NUMBERS

PICKING NATIONAL **WINNERS** IN THE **21ST** CENTURY

RICHARD HORNİK

essay

LOW-WAGE INDUSTRIAL LABOR IS LIKE A RECEDING HORIZON IN A GLOBALIZED ECONOMY: IT IS ALWAYS MOVING AWAY FROM WHEREVER YOU STAND. IN THE 1950S, MADE IN JAPAN WAS AN EPITHET SYNONYMOUS WITH CHEAPLY MANUFACTURED JUNK. BY THE 1970S NEW ENTRANTS LIKE SOUTH KOREA, TAIWAN, SINGAPORE AND HONG KONG – THE FOUR DRAGONS – COULD BEAT THE JAPANESE ON PRICE, BUT JAPAN HAD THE CAPITAL AND THE PHYSICAL AND SOCIAL INFRASTRUCTURES TO GRADUATE TO CREATING HIGHER VALUE-ADDED PRODUCTS. THEN CHINA CAME ALONG AND BEGAN TO DOMINATE THE LOW-END PORTION OF THE GLOBAL SUPPLY CHAIN, AND AT A SCALE SO ENORMOUS THAT IT SEEMED TO SUCK THE OXYGEN FROM ANY POTENTIAL COMPETITOR. THE FOUR DRAGONS, HOWEVER, ALSO DEMONSTRATED THE ABILITY TO MAKE THE LEAP FROM LEAST COST PRODUCERS TO VALUE-ADDED CREATORS.

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LOW-WAGE INDUSTRIAL LABOR IS LIKE A RECEDING HORIZON IN A GLOBALIZED ECONOMY: IT IS ALWAYS MOVING AWAY FROM WHEREVER YOU STAND

Today, economies from South Asia, Latin America, Southeast Asia and – sooner than you think – Africa are competing to take the low-cost mantle away from China. I will not address the issue of the challenges facing China as it attempts to follow in the footsteps of Japan and the Four Dragons.¹ Much has already been written on that subject, and in any case, I would argue that China's sheer size is so great as to make its experience and challenges *sui generis*, and therefore of limited relevance to other economies. Rather, I will explore what I believe are the basic requirements for long-term success in the globalized economy of the 21st Century that have been shaped by the Digital Revolution of the past 20 years. These requirements are different than those faced by Japan and the Four Dragons, all of whom came of age before globalization or the Digital Era had taken root.

NEW CHALLENGES, NEW CRITERIA

As a way to examine this new set of challenges, this paper will explore the potential of Vietnam to build on its success as a low-cost manufacturing base and to move up economic value-added ladder over the next decades. This exploration will involve an examination from three different perspectives. The first will be the macroeconomic/political analyses of global financial institutions such as Citi, Goldman Sachs and Morgan Stanley. This approach, while a useful starting point has obvious limitations from a predictive point of view, since it relies heavily on linear projections. Those weaknesses are readily apparent in the current struggles of the BRICS, the nations of Brazil, Russia, India, China and (later) South Africa, so identified in 2001 by Goldman Sachs' Jim O'Neill, in the firm's publication *Building Better Global Economic BRICs*.²

¹ In the interest of transparency, however, the author believes that China's current political system and socio-economic environment will make it very difficult for that country to move up the value-added ladder as quickly as necessary.

² O'Neill 2001.

Investment-oriented analyses like O'Neill's, have become more sophisticated in recent years, and I will highlight one that appears to offer the sort of multi-dimensional analysis necessary to deepen our understanding of the requirements for success and a nation's likelihood of meeting those criteria. I propose two additional ways to look at Vietnam's potential for long-term economic success: Resilience and Cultural Flexibility. I am not qualified to apply either in a rigorous fashion, but I believe that both will serve to support my view that Vietnam's potential for stable, enduring economic growth over the next two decades has been underestimated.

BRICS, CIVETS AND MINTS

As anyone who reads a newspaper will know, the performance of the BRICS has been uneven at best – in early 2014 Goldman Sachs's own BRIC fund had lost 20 percent in value over the previous three years.³ But driven by the symmetry of economic acronyms, in 2009 the CIVETS – Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa – entered the global economic jargon. In 2010, HSBC President Michael Geoghegan, compared these countries to the civet, a carnivorous mammal that eats and partially digests coffee cherries, passing a transformed coffee bean that fetches high prices. These economies were chosen because of demographics and stable monetary policies and decent financial systems. But within a few years even HSBC stopped trying to sell investors on the potential of these countries.

Not letting the slide of the BRICS deter him, O'Neill now endorses yet another acronym, MINT – Mexico, Indonesia, Nigeria and Turkey. Meanwhile, many analysts talk of the Next 11. These designations seem to have more to do with marketing investment products than with serious analysis, but not all are created equal.

Willem Buiter and Ebrahim Rahbari, economists at CITI,⁴ produced in 2011 a multidimensional analysis of countries they call Global Growth Generators. That analysis includes an effort to isolate the factors that contribute to long-term (i.e., sustainable) growth:

“There exists a well-established and voluminous academic literature on long-term growth and its drivers based on regression analysis using historical data to try to determine which factors have been associated with high growth in the past. Many potential drivers have been put forward. But at the highest level of aggregation, the taxonomy of potential growth drivers only has three categories: (1) initial conditions and the external environment, (2) institutions and (3) policies.”⁵

The authors then further define their criteria in an effort to isolate countries with the greatest growth “potential” over the next four decades:

“As part of that effort, we construct the 3G Index, which is a weighted average of six growth drivers that we and the literature surveyed in earlier sections consider important. The six components of the index are (1) a measure of domestic saving/ investment, (2) a measure of demographic prospects, (3) a measure of health, (4) a measure of education, (5) a measure of the quality of institutions and policies, and (6) a measure of trade openness.”⁶

And the country that comes out on top of the 3G Index? Vietnam.

Table 1. Global Growth Generators (3G) countries 2010-2050⁷

Country	2010 GDP/Capita	% of US GDP/Capita	\$ Av. Growth	3G Index
Vietnam	\$3,108	7	6.4	0.86
China	\$7,430	16	5.0	0.81
India	\$3,298	7	6.4	0.71
Indonesia	\$4,363	10	5.6	0.70
Mongolia	\$3,764	8	6.3	0.63
Philippines	\$3,684	8	5.5	0.60
Iraq	\$3,538	8	6.1	0.58
Bangladesh	\$1,735	4	6.3	0.39
Egypt	\$5,878	13	5.0	0.37
Sri Lanka	\$4,988	11	5.9	0.33
Nigeria	\$2,335	5	6.9	0.25

Note: China and India highlighted with numbers in bold as they are also BRIC countries. Bigger index means better conditions. GDP per capita measured at 2010 PPP USD. Average growth in average growth in forecast of real GDP per capita measured at 2010 PPP USD.

³ Business Insider 2014.

⁴ Citigroup Inc. (Editor's note – JVdB).

⁵ Buiter, Rahbari 2011: 37.

⁶ Buiter, Rahbari 2011: 61.

⁷ Buiter, Rahbari 2011: 62.

Buiter and Rahbari are quick to acknowledge that index scores alone are a poor indicator of future performance:

“Although Vietnam scores well on the 3G index, with a score of 0.86, its institutional quality is low and its macroeconomic policies, including its exchange rate management, have been erratic at best and poor most of the time. Sizable external imbalances, a rising level of public debt and rather inward-looking, unrepresentative and unresponsive one-party rule impart a certain fragility in Vietnam’s outlook. In our view, many of the challenges can be overcome relatively easily. Feasible improvements in institutional quality and in the efficiency of the capital accumulation process should make our projected growth rates achievable.”⁸

Certainly Vietnam’s recent economic performance has been promising. GDP rose 6.96 percent in the fourth quarter of 2014 from a year earlier, and 5.98 percent for the full year, ahead of the government’s 5.8 percent target. Inflation eased to 1.84 percent in December from a year earlier, the slowest rise in 8 years, while retail sales rose an encouraging 10.6 percent. Services rose 10 percent and manufacturing expanded by 8.45 percent. As a sign of the country’s improving situation both Fitch Ratings and Moody’s Investors Service raised its credit rating this year, with the latter also moving its rating of the country’s banking system to stable from negative.

As an indicator of Vietnam’s growing popularity with foreign investors, much of the growth was driven by exports from overseas companies in the country, which increased 15 percent. Overall, foreign direct investment rose 7 percent. Those numbers indicate that Vietnam has already begun to muscle aside some of its regional competitors in the struggle to attract the sort of foreign investment necessary to climb the economic development ladder. For example, Samsung chose Vietnam over Thailand as the site for a \$3 billion smartphone factory, bringing Samsung’s investment in Vietnam to over \$11 billion.⁹ Part of that decision was based on the relative political stability of Vietnam as opposed to the chaos of the past few years in Thailand resulting from political struggles in 2013-14 between the mostly urban, middle class opponents of Thaksin Shinawatra and his political allies, who controlled the country since 2001, largely by relying on the loyalty of the rural poor in the north of the country. The

⁸ Buiter, Rahbari 2011: 69-70.

⁹ Bloomberg View 2015.

Thai military has once again taken control of the government, but there is a sense among foreign investors that the underlying tensions have not been resolved and may remain for years to come. Vietnam, on the other hand, continues under the steady – though often clumsy and corrupt – leadership of the Vietnamese Communist Party. As I will discuss below, this situation has both positive and negative results for Vietnam’s governance, but at present it presents a more stable alternative to foreign investors than is the case in some neighboring countries.

One could argue that Vietnam is succeeding because of the problems of others, but one of the criteria the authors include in their assessment of future economic prospects is ‘luck,’ and it seems clear that some countries make their own luck. That is where economic resilience and cultural flexibility come in.

ECONOMIC RESILIENCE

Rigid, inflexible entities find it far more difficult to recover from external shocks – bad luck – than do more resilient ones. In the world of business management studies, the idea of resilience has gained increasing acceptance as a key measure of corporate health. The same can be said for societies and economies. Think for instance of the post Depression recovery patterns of countries like the United States versus ones such as Argentina. Another obvious example is the performance of centrally-planned economies once their ability to marshal underproductive capital and labor was exhausted.

Ron Martin and Peter Sunley, among others, have begun to take a more systematic look at, “(...) the notion of *resilience*, a term invoked to describe how an entity or system responds to shocks and disturbances.” They note that, “Although the concept has been used for some time in ecology and psychology, it is now invoked in diverse contexts, both as a perceived (and typically positive) attribute of an object, entity or system and, more normatively, as a desired feature that should somehow be promoted or fostered.” In a paper published last year they note that this is a new area of inquiry: “There is still considerable ambiguity about what, precisely, is meant by the notion of regional economic resilience, about how it should be conceptualized and measured, what its determinants are, and how it links to patterns of long-run regional growth.”¹⁰

¹⁰ Martin, Sunley 2015. See also: Chan, Wong 2007.

Just as Japan and Germany demonstrated resilience in their post-war economic recovery, one could argue that Vietnam is demonstrating similar reserves, although it did suffer through a decade-long, post-war hiatus resulting from a failed effort to emulate the centrally planned economies of China and Russia. Fortunately for Vietnam, the collapse of the Soviet Union and Deng Xiaoping's economic reforms forced the country to launch its own economic restructuring program, known as Doi Moi.

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RIGID, INFLEXIBLE ENTITIES FIND IT FAR MORE
DIFFICULT TO RECOVER FROM
EXTERNAL SHOCKS

As was the case with China, the reforms had many early successes largely due to what John Hardt, former head of the Congressional Research Service and America's leading scholar on the Soviet economy, liked to call 'a vast, untapped reservoir of inefficiency.'¹¹ That is, simply by ending counterproductive policies like telling peasants what to plant, where and when, the economy will grow quickly. And, as was the case with China, Vietnam has encountered numerous challenges to economic development once the easy gains were achieved.

The challenge facing Vietnam today is whether it can build on its past success – and on the attributes identified by Buiter and Rhabari – in a sustainable way. The resilience it has shown throughout its history would seem to argue that unlike many of its neighbors, it will be able to overcome many if not all of the exogenous shocks that are all too common in today's globalized economy.

Unfortunately, one key element of a resilient society and economy is missing – an open political system. The political stability that may be behind Samsung's continuing faith in Vietnam as a production center derives from a single-party government. This enables the state to make difficult decisions and imbue the system with predictability that comes from avoiding sudden changes in government. It also leads, however, to corruption and misallocation of resources – the same pathology that afflicts China.

For example, Vietnam's banking and State Owned Enterprise (SOE) sectors continue to dampen the country's outlook. According to Victoria

¹¹ The author studied Soviet economics under Dr. Hardt's supervision at George Washington University (1970-72).

Kwakwa, World Bank Country Director for Vietnam: "Vietnam's potential for much more rapid growth can only be realized if substantial progress is made in addressing distortions such as in the state enterprise and banking sectors, that tax the economy's efficiency and productivity," she also says. She adds that: "stepping up this reform agenda and strengthening the business environment are critical for moving forward."¹² The World Bank's most recent publication on the Vietnamese economy, *Taking Stock: An Update On Vietnam's Recent Economic Developments*, pays particular attention to the country's ambitious banking, SOE and public investment reform initiatives, essentially saying that the results are promising but insufficient thus far.¹³

The report also notes that:

"Vietnam's ranking on the Doing Business survey has fallen from 72nd position in DB2014 to 78th in DB2015 7 [places] among 189 economies. Vietnam's national competitiveness is ranked below the average among ASEAN-4 countries, with slow improvements in the institutional framework, infrastructure and business environment (...). This is highlighted by the problems with starting a business, tax payment time, protection mechanism for investors, access to electricity and dealing with business insolvency."¹⁴

On the other hand, the report takes note of Vietnam's efforts to deal with those issues:

"The government has, however, taken some important measures in 2014 to improve business conditions, which do not get reflected in the latest Doing Business rankings. The Government issued Resolution 19 (March 18, 2014) which prioritizes shortening the time for processing and completion of administrative procedures, reducing administrative costs, and strengthening transparency and accountability of state administrative agencies (...). The revised Law on Bankruptcy, passed in July 2014, was another effort to improve the legal framework for businesses. The law incorporated international good practices, including the introduction of professional insolvency practitioners. Two other important laws, the Enterprise Law and the Investment Law, have been revised and are scheduled to be approved by the National Assembly in November 2014."¹⁵

¹² World Bank 2014b.

¹³ World Bank 2014c: 9.

¹⁴ World Bank 2014c: 23. See also: World Bank 2014a.

¹⁵ World Bank 2014a: 24.

Although Vietnam may succeed in reforming these key sectors before China, Vietnam's rulers share their Chinese counterparts' fear of the freedoms inherent in the Digital Era and fail to take full advantage of the new opportunities to tap into the creative potential of its people through social media. Over the past several years both countries have sought to limit dissent and civic organizing online. Reporters Without Borders has labeled Vietnam as one of nine of its "Internet Enemies" and ranks the nation 175 out of 180 in its press freedom index – above China but well below Cuba. Unlike China, Vietnam does not ban Facebook and Twitter, but in the past year the government began to smother the growing information technology sector with a series of often opaque and sometimes contradictory rules.¹⁶

Then again, just when it appears Vietnam's leaders will succeed in throttling innovation, they launch initiatives in the opposite direction – perhaps another indicator of resilience. Although the government has been working to keep social media under control, it appears to be taking a much more restrained approach than China, which not only bans western social media (except LinkedIn) but also employs 2 million workers to monitor the permitted, indigenous Chinese sites like Weibo and WeChat.

Earlier this year Vietnam's Prime Minister Nguyen Tan Dung reportedly told officials in his office: "We won't be able to ban social networks. The important thing is we should provide more accurate, official information there." Possibly taking her cue from that speech, in early March the Minister of Health Nguyen Thi Kim Tien, proudly announced the launch of her own Facebook page, asserting that "Any health information from other pages are not trustworthy."¹⁷

In other words, Vietnam's resilience will be tested by endogenous 'shocks' as well as exogenous ones. Ham-fisted economic regulation, often designed to give the upper hand to state-owned enterprises (SOEs) will continue for some time to slow the country's growth to below its optimum level. But at the same time, the entrepreneurial spirit of the Vietnamese will be strengthened by these challenges. The private sector in Vietnam, in fact, has demonstrated remarkable resilience by dealing with these challenges for almost 30 years. And Vietnam has one significant advantage over China – Chinese SOEs are a far more dominant element in its economy than is the case in Vietnam.

¹⁶ The New York Times 2015.

¹⁷ Thanh Nien News 2015

CULTURAL FLEXIBILITY

Vietnam has one more attribute in its favor, particularly as it tries to make its way in a digitalized, global economy. Very much unlike China and more so than other East Asian societies, Vietnam's culture is syncretic, that is, it is inclined to adopt, adapt and absorb outside influences. More than any other country I have studied or covered in the past four decades, the Vietnamese seem capable of identifying useful elements of foreign culture and then making them their own.

This struck me the first time I set foot in Vietnam in 1991. At the time, the only decent coffee you could find in much of Asia was in western hotels or franchises. And while there were plenty of western restaurants in the region, the idea of combining the local cuisine with a foreign one was, well, foreign. In Vietnam, however, the coffee was strong and thick and delicious, and street vendors sold excellent baguettes slathered with passable pate. Vietnamese regional cuisines jealously guard their differences, but most chefs seemed to revel in combining regional dishes with western ingredients. Similarly, traditional architecture and couture were a wonderful mashup of influences. As one observer has written:

"Over the last three thousand years Vietnam has been significantly influenced by China. Both China and France have tried to conquer not only the land but also the spirit of its people by attempting to impose their culture on the Vietnamese people. The Vietnamese people have not taken that has been imposed on them rather they have taken what suits with their culture and temperament. They have taken the best of other cultures and have combined them with their own culture and heritage."¹⁸

Perhaps this openness is the result of coupling a 3,444 km coastline with a width of just 50 km at its narrowest point. Sitting along a major sea trade route, it was for centuries highly subject to outside influences. In essence, the vast majority of Vietnamese have been living in a globalized worlds for centuries, never able to cut themselves off for long stretches of time, as happened in Japan, Korea and China. In fact, in some ways you could argue that Vietnam is China without an interior. (The most vibrant, flexible part of China, at least for the first few decades of economic reform was that very thin strip along its coast.) Vietnam has been far more vulnerable to outside invasions, but it has also made it far more open to outside influences.

¹⁸ Farid 2011.

This syncretic culture makes Vietnam a particularly attractive investment site for knowledge and information industries – that and the fact that it abandoned its Chinese character based writing system for a one based on Latin letters over a century ago. As the New York Time reported recently:

“Vietnam’s tech businesses are a bright spot in the country’s economy compared with its other industries, many of which are dominated by state-run companies. In one measure of growth, online sales by businesses to consumers in Vietnam totaled an estimated \$2.2 billion in 2013, and the number is expected to reach up to \$4 billion in 2015, according to a 2013 report by the Ministry of Industry and Trade. The technology boom is built on strong Internet infrastructure, brisk smartphone sales, an explosion in online shopping and legions of skilled coders and designers who are willing to work for lower wages than others in the region.”¹⁹

Technology firms such as Samsung, Intel and Microsoft are also attracted to Vietnam because, unlike China, it does not demand that foreign firms share their latest technology with home-grown SOEs as a price of entry. Perhaps the mindset behind that difference will be Vietnam’s greatest competitive advantage against China, at least, in the long run. Vietnam does not consider itself to be the Middle Kingdom, the center of the universe. The Vietnamese are proud of their country and its achievements, but they are open to and even anxious for the kind of international cross-fertilization that a digitalized global economy demands. And best of all, the Vietnamese do not hold grudges and nourish a sense of wounded pride.

After a year of traveling as a journalist for TIME Magazine to all parts of Vietnam in 1991, I realized that as an American journalist I never encountered any antipathy towards America, even in remote areas that had been severely damaged by what the Vietnamese call ‘The American War.’ I asked numerous Vietnamese about this, but the best answer I got was from a trade official in Ho Chi Minh City: “First, you Americans were only here for 20 years. We fought the French for 100 and the Chinese for centuries. Second, we are poor country that cannot afford to have rich, powerful enemies.” He paused for a second and smiled and said, “And third, you gave us great face. After all, Vietnam is the only country ever to have defeated America in a war.”

¹⁹ The New York Times 2015.



A NATIONAL MENTALITY MIGHT WELL
BE THE BEST PREDICTOR OF FUTURE SUCCESS
IN THE 21ST CENTURY

Many foreigners have encountered that pragmatic and yet somehow droll worldview. It is part of Vietnam’s appeal as a place to visit. It also might turn out that beyond all the quantitative analyses, a national mentality like that might well be the best predictor of future success in the 21st Century. Such a worldview may, in fact, be an important element in both a nation’s economic resilience and its cultural flexibility. Unfortunately, you cannot quantitatively measure a national state of mind. And without quantifying these elements we are left with much the same level of uncertainty as before. As Wong and Chan put it in their study, “However, expert opinions are given in the form of incomplete or ad hoc reasoning, and except in extreme situations, one would not be able to determine the resilience level of an economy on such reasoning.”²⁰

Wong and Chan go on to propose a solution to this by mining data and then applying the data post hoc to historical performance with results that were interesting but unconvincing. Perhaps the entire effort to quantify such things is a fool’s errand, little better than the alphabet soup of acronyms invented by investment analysts as a way to give some credibility in the financial markets to their ‘ad hoc reasoning.’ Perhaps first-hand, holistic observation by well-grounded experts, even if ad hoc, would prove to have greater predictive powers. A literature search turned up no rigorous efforts to determine the predictive success rate of individual observer/analysts over the post-war years, but that might be an interesting avenue of research – a sort of pundit accountability table.

In the meantime, the pursuit of applicable analytic tools is as unlikely to stop as it is to prove useful for predicting future outcomes. The problem is in isolating the exogenous factors that can play a role. For example, the Korean War helped to jumpstart a Japanese economy that had been shattered by World War II.²¹ Likewise, the American war in Vietnam helped launch both South Korea and Taiwan on the path of rapid economic growth.²² And the exogenous factors that led to the size of China’s boom are too numerous to mention.

²⁰ Chan Ngai Hang, Wong Hoi Ying 2007: 618.

²¹ Blackburn.

²² Woo-Cummings 2002: 327-29.

As a long-time, ad hoc observer of Vietnam in particular and its neighbors in general, it seems clear that as a nation it has developed both the cultural openness and resilience necessary for success in the 21st century. Whether it succeeds will depend both on exogenous factors as well as on elements that are within its control. Rather than trying to quantify its chances of becoming the V in some current or future alphabet soup, perhaps the best we can do is to look for milestones of economic progress. For Vietnam, some of those would include:

- avoiding armed conflict with its neighbors (well, China);
- continuing to make necessary structural economic reforms, particularly to its financial and SOE sectors;
- modulation of the political leadership's efforts to control Social Media;
- sufficient investment in education and physical infrastructure.

Indicators of that progress will be found in the trend lines of FDI, trade and current account balances, GDP growth, inflation rates, as well as health and education measures. And if it succeeds over the next 20 years, there will be many people who will say that they knew it all along, but there will be as many or more countries that will fail even though ad hoc and quantitative analyses predicted success.

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by S. Paz



SCHOOLGIRLS WAITING FOR A BUS (NEW DELHI, MARCH 2015)

A RISING REGIONAL **POWER?** TURKEY

UNDER THE RULE OF THE JUSTICE
AND DEVELOPEMENT PARTY

KAROL BIENIEK

abstract

THIS PAPER SEEKS TO EXPLAIN THE NATURE OF TURKEY'S REGIONAL POWER AMBITIONS. SINCE 2002 TURKEY, RULED BY PRO-ISLAMIC ORIENTED JUSTICE AND DEVELOPMENT PARTY (JDP), REVITALIZED HER FOREIGN POLICY AND OPENLY ARTICULATES ITS REGIONAL POWER ASPIRATIONS. A "STRATEGIC DEPTH" CONCEPTION CREATED AND IMPLEMENTED BY JDP'S FOREIGN POLICY MAKERS, MAINLY BY A. DAVUTOĞLU, UNDERLINES TURKEY'S POTENTIAL AND PROVIDES SEVERAL TOOLS FOR BECOMING A REGIONAL POWER. WHILE PROVIDING THEORETICAL BACKGROUND FOR THE TERM "REGIONAL POWER" THIS PAPER WILL ANALYZE TURKEY'S ABILITIES TO ACHIEVE SUCH A STATUS (IN COMPARISON TO THE NEW BRICS COUNTRIES). SOME PREDICTIONS ABOUT FUTURE DEVELOPMENTS IN TURKEY'S REGIONAL POWER ASPIRATIONS IN THIS CONTEXT WILL BE INCLUDED AS WELL IN THIS ARTICLE.

TURKEY, REGIONAL POWER, FOREIGN POLICY,
JUSTICE AND DEVELOPMENT PARTY, BRICS

keywords

WITH NO DOUBTS THE MODERN TURKISH REPUBLIC HAS A CERTAIN POSITION ON THE INTERNATIONAL SCENE. IN THE FIRST DECADE OF THE 21ST CENTURY ONE CAN OBSERVE A SHIFT IN THE FOREIGN POLICY OF TURKEY THAT BECAME DEFINITELY MORE ACTIVE AND VIGOROUS WITH RESPECT TO THE COUNTRY'S NEIGHBORHOOD I.E. THE BALKANS, CAUCASUS AND ESPECIALLY THE MIDDLE EAST. CURRENTLY TURKEY IS OFTEN DESCRIBED AS ONE OF THE LEADING STATES IN HER REGION, WITH PROSPEROUS ECONOMY AND BROAD POLITICAL AMBITIONS. INDEED, POLITICAL ASPIRATIONS, A CLEAR VISION OF THE FOREIGN POLICY AND HUGE ECONOMIC PROGRESS IN RECENT YEARS BOLSTERED ANKARA'S AMBITION TO PLAY AN IMPORTANT ROLE IN THE REGION, AND PLACED TURKEY AMONG SUCH COUNTRIES AS IRAN AND SAUDI ARABIA.

In order to understand the nature of these regional ambitions, one first needs to underline the changing context of Turkish foreign policy making in the recent century. In general the most important issue here is the transition from passive and somehow static strategies of the kemalist elite to bold and vigorous project of the Turkey's ruling Justice and Development Party (JDP). The next part of this paper shall conduct the discussion whether this project is/will be successful or not.

In general, one can state that since 1923 when the Turkish Republic has been established until the end of the Cold War the foreign policy virtually remained under sole control of the kemalist establishment, which is a social force that managed to save the Turkish statehood in the 1920's. Weakness of the newly created state in this period forced the kemalists to implement a foreign policy based on pragmatism, rationality and a tendency to avoid risky international actions. While underlying

strong ties between Turkey and Europe, thus using the foreign policy as another modernization tool in the process of broad social and political reforms started by the Atatürk together with the creation of the Republic, the kemalist regime gave less significance to Turkey's relations with neighboring regions. Turkey's neutrality in the Second World War and post-war settlements preserved the static tendencies of Turkey's foreign policy makers. As initially isolated Turkey joined the NATO in 1952, this also has become a stable element of Turkey's foreign policy within a polarized international system. This general feature of those international relations, strongly shaped the foreign policy of Ankara during the Cold War, making it static and focused mainly on the security issues, understood through the context of NATO activities and Turkish participation in them.

Against expectations Turkish foreign policy did not experience any tremendous shift with the end of the Cold War. Although it was a challenge for the Turkish foreign policy makers, and Ankara had to redefine her position towards neighboring regions, the main tasks of adopted strategies remained the same. As foreign activities remained under strong influence of the kemalist elite, they had been limited to the security issues and mostly copied from the Cold War period. In that time Turkey did not manage to extend her significant influence on the so-called Turkic languages family states despite her interests in developing contacts with these countries.¹ Also the internal problems of Turkey, mainly the huge economic crisis of the 1990's and general political instability in that period, contributed largely to rather passive picture of Turkish foreign policy in the last decade of the 20th century.

As the 1990's can be described as a period of lost chances in the foreign policy of Turkey, the first decade of the new century should be perceived as a time of change and new opening as since 2002 the country's ruling Justice and Development Party managed to revitalize foreign policy and set new aims for the state in the international arena.

Nowadays Turkey's aspirations and activities on the international scene lead to disparate opinions and evaluations. That "regional power aspirations" came to the heads of Turkish foreign policy makers and at the time of the country's economic success doesn't seem to be irrational, but one can indicate several limitations of Turkey's ambitions. These were described in the nowadays famous metaphor, as one of the American diplomats put it: "Turkey has Rolls Royce ambitions but Rover resources." This view, concerning two icons of the British car industry, is in general not shared by the Turkish politicians from the Justice and Development Party while

for instance vice-prime minister Ali Babacan claims that Ankara will be a leader of a "Single economic region from Albania to Kuwait and from Bahrain to Morocco."² Such daring declarations are articulated mainly with respect to Turkey's growing economic potential in the region and rising political aspirations.



SINCE 2002 JUSTICE AND DEVELOPMENT PARTY
MANAGED TO REVITALIZE FOREIGN POLICY

Before analyzing Turkey's abilities to become a real regional power one should precise what does the term "regional power" precisely mean. The most common definitions would state that regional power is a state that is able to extend its political influence on the ongoing matters in particular region due to its significant economic and military advantage. This general definition needs to be specified. One of the first attempts to clarify this term has been done by Østerund who used the term "regional great power." He defines such a state as one that is: a) geographically a part of particular region, b) is able to stand up against any coalition of other states in the region, c) is highly influential in regional affairs, d) is able, contrary to the middle power, to become a great power on the world scale in addition to its regional standing.³ As the last criterion mixes the characteristics of regional and great powers the clear distinction between regional and middle ones becomes more difficult. However the category of influence should be noticed.

The "regional power" term has been developed also by Schrim who indicates following criteria: willingness (understood as claim); capacity (potential); acceptance of this claim by others; guidance activities; influence of the regional power. The 'claim criterion' makes the actor to voice a claim for influence (making rules for him and others); without this will any claim for international influence seems to be unrealistic. The capacity simply means that state shares material and organizational resources that would make a regional projection of power possible. The acceptance level is an answer to the question to what extent the other states accept the regional power's claims and activities while the latter differs from these states by showing leading activities. When there is acceptance other states subordinate themselves to this position. Finally influence is to

¹ For more information see: Turan, Turan 2004: 757-780.

² Haberler.com 2012.

³ Østerund 1992: 12.

be judged according to how much actual influence (in the sense of power) a particular state exercises with regard to outcomes.⁴

In the basic sense this paper argues that although the modern Turkish Republic, ruled by the JDP, has a certain will to become regional power it has or will have serious difficulties in fulfilling other criteria, as described by Schrim. The special emphasis will be put on the country's capacity, the acceptance issue, guiding activities and overall influence manifested in concrete results.

The country's will or 'claim for influence' is manifested in the implementation of the "strategic depth" conception in its foreign policy making. This is a strategy created by Ahmet Davutoğlu, current prime minister of Turkey and at the time Recep Tayyip Erdoğan's chief advisor. As it has been stated above the "strategic depth" conception is a crucial tool in revitalization of Turkey's foreign policy in the 21st century.

The whole conception of Davutoğlu's "strategic depth" has been introduced together with the publication of a book bearing the same title, nowadays considered a sort of bible for Turkish foreign policy makers, which went beyond its hundredth edition in 2014. Davutoğlu notices that the end of the Cold War created new opportunities for Turkey's foreign policy that should cumulate into a status of regional and even the global power at the end. He argues that the 1990's were lost for Turkey as the strategy based on Turkey's historical and geographical potential has not been created.⁵ His whole vision of Ankara's international activities is based on two main pillars: "historical depth" and "geographical depth." Turkey shares both historical and geographical depth thus it should be perceived as:

"A country that is always at the epicenter of events, whatever they may be (...) Countries like Turkey, China, and Japan have deep historical roots in their regions (...) During the transit from 19th to 20th century, there were eight multi-national empires across Eurasia: Britain, Russia, Austria-Hungary, France, German, China, Japan and Turkey. Now, these countries are experiencing very similar problems with their respective regions. Germany has experienced in Eastern Europe similar headaches to those felt by Turkey in the Balkans and the Middle East. As these countries possess historical depth they form spheres of influence; if they fail to do this they then experience various problems."⁶

4 Schrim 2005: 110-111.

5 For more information see: Davutoğlu 2011.

6 Turkish Daily News 2001 .

According to him (like such states) Turkey has the capacity to pursue intensive diplomatic, economic and cultural relations in her traditional sphere of influence. It's also worth noticing that in the Turkish context the "historical depth" dimension of Ankara's foreign policy means the rehabilitation of the Ottoman era, both in the international and domestic sense. Contrary to the kemalist ruling elite, the followers of JDP, mainly Davutoğlu himself, not only did *not* reject the Ottoman past but also openly underlined the necessity of its revival. He did so with reference to the Balkans in his famous Sarajevo speech while saying that:

"Roman Emperors mentioned the Balkans only when they decided to have a military preparation to go to Asia. So, they didn't see the Balkan region as the center. The only exception throughout history, a positive exception, is the Ottoman state. During the Ottoman state, the Balkan region became the center of world politics in the 16th century. This is the golden age of the Balkans. I am not saying this because we inherited Ottoman legacy, but this is a historical fact. Who ran world politics in 16th century? - Your ancestors. (...) We want to have a new Balkan region, based on political dialogue, economic interdependency and cooperation, integration and cultural harmony and tolerance. This was the Ottoman Balkan. We will reestablish this Balkan. People are calling me neo-Ottoman, therefore I won't to refer to the Ottoman state as a foreign policy issue. What I am underlying is the Ottoman legacy. The Ottoman centuries of the Balkans were success stories. Now we have to reinvent this. (...) This is how we are linked to each other. In short, our history is the same, our destiny is the same and our future is the same. Like in the 16th century, the rise of Ottoman Balkans as the center of world politics, we will make the Balkans, Caucasus and Middle East together with Turkey as the center of world politics in the future. This is the objective of Turkish foreign policy and we will achieve this. We will reintegrate the Balkan region, Middle East and Caucasus, based on this principle of regional and global peace for the future, not for all of us, but for all the humanity."⁷

Also the geographical depth, as set in the logic of geopolitics, situates Turkey at the center of contiguous land and sea basins thus enabling Ankara to play a crucial role as a bridge between states and civilizations rather than passive actor of the international relations, as it was done during

7 Davutoğlu 2009.

the Cold War period.⁸ Historical and geographical depth can be achieved through the application of five main principles. The first one, the balance between freedom and security, reflects the desire to broaden the rights and freedoms catalogue with a view to stabilize domestic/foreign policy nexus. The second one: “zero problems with the neighbors” enabled JDP’s governments to look for rapprochement with longstanding banes like Iran or Syria or even with Armenia and Cyprus. The principles of multilateral foreign policy and rhythmic diplomacy are supposed to enhance Ankara’s diplomatic, economic and cultural influence while engaging new actors like businessman and NGOs in foreign activities and initiatives. Finally, last but not least, the firm flexibility, according to which significant enhancement of diplomatic relations and proper knowledge about ongoing issues are the methods to reach goals in international relations.⁹



WITH NO DOUBTS TURKEY SEEMS TO BE THE MOST DYNAMIC ECONOMY IN THE REGION AS JDP’S STRATEGIC DEPTH CONTRIBUTED LARGELY INTO COUNTRY’S TRANSFORMATION INTO A TRADING STATE IN THE REGION AND BEYOND

Summarizing one can claim that the advantages of the strategic depth and usage of the mentioned principles are supposed to strengthen Turkey’s position in the region and should be perceived as a manifestation of the claim for such a position. The transition from passive foreign policy to an active and bold one has been bolstered in the recent years by Turkey’s huge economic success, however Ankara’s political actions have not always been so successful, proving the country’s limitations in pursuit of a clear regional power status.

The new dynamics of Turkey’s foreign policy overlapped with ongoing changes in the whole international environment in which new organizational players are making an open demand for changes in the architecture of international development cooperation. Leading emerging economies and political powers at the regional and international level formed the BRICS group that consists of Brazil, Russia, India, China and recently, since 2010, South Africa that in fact, due to its size does not have the same weight in global economy as other countries. The general features of BRICS group state are as follows: a) the outstanding size of their economies, b) strong growth rates, leading to increasing significance in the

⁸ Murinson 2006: 954.

⁹ Davutoğlu 2011.

world economy, c) the demand for a stronger political voice in international governance structures, which corresponds to their economic status.¹⁰ According to some prognosis about Turkey’s economic condition, which is nowadays experiencing spectacular growth, the country is revealing some of the abovementioned characteristics and thus has been identified by Goldman Sachs among the “next eleven” countries.¹¹ Several reports underline the economic progress done by Ankara and situate Turkey among the states that by 2050 could take over some of the G7 members and may find a place among the upper-middle income group.¹² With no doubts Turkey seems to be the most dynamic economy in the region¹³ as JDP’s strategic depth contributed largely into country’s transformation into a trading state in the region and beyond.

For instance the value of its exports and imports (as percentage of total GDP), rose from 31% in 1990 to 52.3% in 2008 as well as the share of Turkey’s foreign trade with former Soviet states and Middle East rose from 11.9% to 25.5% for the same period.¹⁴ Particularly in 2002 the value of export to the Middle East was 5,464 billion USD by in 2012 it had reached 42,451 billion USD.¹⁵ In the JDP era also other economical data prove Turkey’s rising potential: GDP per capita rose from 3492 US\$ in 2002 to 10482 US\$ in 2014¹⁶ and the rate of inflation decreased from 29.7% to 7.75% in the same period.¹⁷

Turkey, successful in terms of economy and ruled since 2002 by Erdoğan’s Justice and Development Party, started to strengthen its status in international relations. It is important to notice here that their aspiration to the status of regional power became a permanent feature of Ankara’s foreign policy in the 21st century. Implementation of the “strategic depth” strategy; increasing of the contacts with neighboring countries and some revival of the Ottoman past; all these together have led to the situation in which Turkey’s regional power aspirations are widely discussed. They also became an immanent part of country’s domestic politics as the postulate

¹⁰ O’Neill 2001.

¹¹ Besides of Turkey The N-11 includes: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Vietnam.

¹² Goldman Sachs 2007: 141-142.

¹³ In contrast to the visible slowdown in the Turkish economy today, President Erdoğan stated that this current economic crisis is only a temporary issue while Mehmet Şimşek, Minister of Finance of Turkey, claimed that there is no crisis at all, but only a temporary slowdown. Thus both of them indirectly accepted that the Turkish economy experiences some problems nowadays. (Bloomberght.com 2015; a24.com.tr 2015)

¹⁴ TÜİK 2015.

¹⁵ TÜİK 2015.

¹⁶ World Bank 2015.

¹⁷ TÜİK 2015.

of a “strong Turkey” found its way in the rhetoric of JDP’s top officials and obviously became positively pursued by significant segments of party’s electorate.

Currently, after nearly thirteen years of power, and with a great possibility of winning the 2015 parliamentary elections, the foreign policy of JDP clearly reveals regional aspirations. These can be evaluated in the context of Turkey’s capacity, acceptance, activities and general influence in the region. Processes in the recent years, like Turkey’s failure towards the Arab Spring phenomenon or the constant stalemate in country’s EU relations, has proved that Ankara has and will continue to have several difficulties in gaining the regional power status, as the economic potential should not be considered as the sole criterion, and political activities combined with influence are equally important.

The “strategic depth” conception successfully managed to broaden Ankara’s capacity in the terms of organizational resources. The whole foreign policy making process has been distributed among two subjects. The first group consists of the traditional state apparatus that is responsible for setting goals and particular political decisions i.e. government, prime minister, ministry of foreign affairs, its minister and the president of the Republic. Although nowadays one should not have doubts about the key role of president Erdoğan in shaping the country’s international activities, even when the whole systemic structure resembles a typical parliamentary system. Thus, such a division of competences does not differ much from the period in which Turkey remained under political influence of the kemalist elite as they created current constitution of Turkey in 1982 that despite many changes, introduced by the JDP, still is in force. The second group is a novelty in Turkey and consists of subjects that in the past did not have any influence over foreign policy or only possessed marginal leverage such as the business sector and NGOs. Both now became involved into the vital political processes and as actors are often associated with the prime minister’s office rather than the ministry of foreign affairs.

Their inclusion, according to “strategic depth,” is supposed to strengthen Turkey’s influence in the region in various spheres, like economy or culture. Envisaged as a tool for soft power they became an inherent part of the foreign policy and concrete examples of Turkey’s soft power. Among many one can indicate for instance The Turkish International Cooperation and Development Agency, Yunus Emre Institute or Confederation of Businessmen and Industrialists of Turkey (TUSCON). The first one has been established long before JDP came to power, and is controlled by the state, mainly by the prime minister’s office. This organization is mainly

active in the Middle East, the Balkans and Central Asia. It is responsible for several projects covering infrastructure, agriculture, education and health. It’s worth noticing that since 2003 the overall volume of development aid through this Agency rose from 76 to 780 million US\$.¹⁸

The Yunus Emre Institute basically works as a cultural diplomacy tool while TUSCON is an association of businessmen who are lobbying for contracts in the countries within the scope of Turkish foreign policy. As TUSCON is an Islamic Gülen Movement-inspired body, and the split between the Movement and the JDP took place recently, the question about its future influence and activities remains open. Despite of that all three mentioned institutions add new quality to Turkey’s activities in the international arena. Their incorporation into policy making processes enabled Ankara to broaden the scope and provide new organizational resources for its activities thus enhancing their capacity as a potential regional power.

However capacity is not only the issue of organizational resources but also material one. We can indicate here two aspects. The first one is positive, and linked with Ankara’s economic success in the recent years: as Turkey became leading economy in the region, and actually transferred herself into a “trading state” one can expect the future progress in this area, as mentioned above. This, combined with traditional military supremacy over neighboring states, allows JDP politicians like Ali Babacan to formulate such adventurous claims as quoted above. The other aspect is capacity. The author would define this as a negative one, since it is connected with Turkey’s energy resources and the country does not produce oil nor natural gas.

Although the increasing value of energy issues in the international realm has supported Turkey’s role in this matter and Ankara is aiming at becoming an “energy hub” for the transmission of oil and gas from

the Middle East and the former Soviet Republics to Europe. It needs to be underlined that such projects are still in the phase of realization and, in general, Turkey is strongly dependent on Russia and Iran in terms of energy resources. In this context, the famous maxim “No petrol no power” seems to be reasonable and leaves the question about Turkey’s “regional power aspirations” open.

The rapprochement in relations with Russia is clearly visible in the JDP’s era as well as intensive economic cooperation with Iran, as these two countries are respectively the two biggest suppliers of natural gas to Turkey that due to its intense economic growth has rising energy needs. However the level of Turkey’s cooperation with these two countries should not be overestimated as Russia has used its energy resources as a political tool in past and Iran is a traditional rival of Ankara in the Middle East. What is more, the Arab Spring provided a new impetus in this rivalry as both states have perceived it as an opportunity to achieve several goals in the region, thus making uneasy political relations even more strained over number of issues such as Turkey’s support for the Syrian opposition or the Kurdish issue. In general, it is possible that such future political tensions will drain Turkey of its energy resources and seriously diminish its capacity to fulfill the regional power criteria. However even when none of those have taken place so far, other issues should be considered as Ankara has not lost the will and such aspirations.

An analysis of the acceptance level, guiding activities and general influence reveals several limitations of Turkey as a regional power, especially with reference to current political processes in the Middle East as the Arab Spring once again opened the question about the so called “Turkish model” for several countries that overthrew their ruling dictatorships. This issue brings to the fore the overall degree of Turkey’s acceptance in the region.

Although the Turkish government supported the national uprisings in several countries like Tunisia, Egypt and later in Libya and Syria this did not automatically mean that these states would follow the “Turkish model,” which has serious limitations. While the model itself means that Turkey is a Muslim-majority state that managed to adopt virtual democracy and follows through with vital development and modernization processes, one can indicate two basic features here that contribute to a rather low level of Turkey’s acceptance in general.

First it needs to be noticed that on the whole the Turkish “neo-Ottoman” ambitions are not so warmly welcomed among its former subjects. Several counties might appreciate Turkey’s economic success and develop

“ TURKISH “NEO-OTTOMAN” AMBITIONS ARE NOT SO WARMLY WELCOMED AMONG ITS FORMER SUBJECTS

their economic and trade contacts with Ankara but this does not mean straight that they will be willing to adopt political mechanisms that one can find in Turkey. It is mainly the Western perception that the “Turkish model” is a remedy for political turmoil in the Middle East and Turkey is a partner open for dialogue with everybody. Such a way of thinking seems not to take into account the fact that Muslim countries are not the same in terms of political regimes, homogeneity, degree of secularism or even the degree of theocracy (as Turkey is often perceived as not Muslim enough for societies and states in the Arab Peninsula). The second aspect of limitation has to do with Turkey’s domestic politics. As a ‘model country’ it should not have internal contradictions concerning for instance the treatment of its minorities (like Kurds in Turkey) or historical resentments (like war crimes in Armenia in 1915). In that case Erdoğan’s demands towards Israel for apologizing for the nine killed in the Mavi Marmara incident or better treatment of the Palestinians could be easily rebuffed with reminder about an apology for the deaths of those in 1915 or about the way the Kurds have been treated. Thus the Turkish history and domestic processes are also not appropriate for the promotion of the “Turkish model” and the country’s acceptance in general.

Also the recent foreign policy moves of Ankara did not bring it closer to the status of regional power. Quite the opposite, they rather highlighted the country’s limitations. Despite good personal contacts with Syrian president Bashar al-Assad, Erdoğan was not successful in preventing the eruption of a civil war in Syria and finally had to follow the Western commitment in the struggle against him shortly afterwards. The rhetoric towards Israel, aroused with Mavi Marmara incident when nine Turkish citizens were killed by Israeli forces while providing humanitarian help for Gaza, did not only deteriorate good bilateral relations but also isolated Turkey in the eyes of her Western allies thus proving that the scale of the influence that Ankara possesses in the region was in fact exaggerated. In addition to that, the constant stalemate in the Turkey’s EU relations and the lack of political influence over the so called Turkish language family states the total picture of Ankara’s influence as regional power seems to be rather blurry.

As it has been shown above Turkey is a country that in the recent years implemented a strategy that was supposed to strengthen its influence in the region. Despite revitalizing foreign policy making process, the ruling JDP managed to provide good safeguards for the country's capacity, which has been seriously expanded, no doubt. However Turkey still has serious limitations as neighboring countries, mainly the Middle Eastern ones, do not share Ankara's optimism and decrease the level of potential acceptance of a Turkish regional power status. While several initiatives of Turkish foreign policy, as described above, failed, their total influence in the region should not be overestimated. With no doubts Turkey is an important country in her geopolitical region, however it still does not fulfill all the necessary criteria for being a clear regional power.

So, linking the question with future developments: "will Turkey become a regional power?" necessitates an answer linked with the domestic processes in that country. While the Justice and Development Party is bound to win the 2015 parliamentary elections one should claim that the basic line of the foreign policy will be continued.¹⁹ As a hard stance towards several states has been put forward by president Erdoğan in the past one should expect him to go further and undertake even more adventurous steps. In such circumstances it is rather doubtful that Turkey will be able to increase its influence and acceptance level as a regional power.

The most likely scenario envisages future economic development combined with growing international isolation, making Turkey drifting away from the Middle Eastern countries and far from the European Union despite the reopened negotiations on this topic in 2013. Obviously this does not mean that Turkey will lose her international position. This will never take place due to the state's meaning for the western allies in terms of geopolitics. It will only mean that Ankara will *remain* far from reaching the status of a real regional power.

¹⁹ The DJP *did* win the election, but not with an absolute a majority as during previous elections. Creating a coalition is proving to be a long and painful process. (Editor's note – JvDB, 16-06-2015)

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by E. Kania



PEACEFUL SURROUNDINGS OF SOUTH-EAST ASIA'S VIBRANT AIR TRAFFIC HUB. HONG KONG INTERNATIONAL AIRPORT, LANTAU ISLAND, HONG KONG SPECIAL AUTONOMOUS REGION.

IRAN:

A NEW **POWER** ON THE RISE

PRZEMYSŁAW OSIEWICZ

essay

WE ARE PERSIANS! AND EVERYBODY IS JEALOUS

UNDOUBTEDLY, IRAN IS ONE OF THE MOST INFLUENTIAL STATES IN THE MIDDLE EAST REGION. ITS HIGH POLITICAL, CULTURAL AS WELL AS ECONOMIC POTENTIAL IS UNDISPUTABLE. AT LEAST AT REGIONAL LEVEL. YET THE QUESTION IS WHETHER IRAN CAN BE CLASSIFIED AS ONE OF EMERGING WORLD POWERS OR NOT. OR TO PUT IT MORE BLUNTLY, COULD ONE NAME IRAN TOGETHER WITH SUCH ACTORS AS RUSSIA, THE PEOPLE'S REPUBLIC OF CHINA, BRAZIL OR INDIA?

Iran has significant demographic potential. There are more than 78 million people living in it. What is more, its population is very young as more than half of Iran's population is under 35 years old. By the way, Iran's birth rate has just dropped significantly, however, the social outcomes of this process will not be noticeable earlier than in 10 or 15 years. Meanwhile, the demographic potential of Iran has to be classified as very high. There are many universities which educate future engineers, politicians, doctors. If we add that the majority of students is female, we will have a complete picture of the modern Iranian society. In this case Iran differs from Saudi Arabia or other Persian Gulf monarchies. Most of Iranians are Persians, however, they constitute only 61% of the whole society. The other national and ethnic groups are, among others, Azerbaijanis, Kurds, Arabs, and Lurs. Nevertheless, the influence of Persian culture is tremendous. And Iranians are very proud of both their rich history and culture. Due to this they perceive themselves as better than their Arab neighbors.

WE ARE RICH, BUT...

Elham Hassanzadeh claims that "Iran had proven natural gas reserves of around 34 tcm [trillion cubic metres]. The country has 18% of global gas reserves, and is the largest gas resource holder in the world, followed by Russia."¹ Yet natural gas is not everything. Iran also possesses huge deposits of crude oil. Its deposits rank the fourth largest in the world at approximately 159 billion barrels. Well, thanks to these natural resources Iran might have already been an economic paradise if there had been no sanctions and it would have had free access to all markets and customers worldwide. Unfortunately, its current situation is not comfortable. Nonetheless, it does not mean that it is hopeless.

There is no doubt that economic sanctions imposed on Iran seriously limit its economic growth. Iranian authorities claim that the sanctions are unjust and harmful, but there is not much they can do in this case except for the talks with the P5+1 group. Iranians have no choice but to learn how to function and survive in these new circumstances. Sanctions imposed by the European Union appear to be particularly severe as Iran lost suddenly almost all European contracting parties. As a consequence, EU member states cannot purchase Iranian crude oil and gas, namely two key export products. The outcome is clear. The main trade partners of Iran are the People's Republic of China, the United Arab Emirates, South Korea, Turkey and India.

¹ Hassanzadeh 2014:20.

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IRAN MIGHT HAVE ALREADY BEEN AN
ECONOMIC PARADISE IF THERE HAD
BEEN NO SANCTIONS

Unfortunately, the economic sanctions are not the only obstacles. President Rouhani “faces strong opposition from hardliners in Tehran, many of whom bridle at the notion of foreign companies on their turf. And time is not on his side. Iran’s economy is suffering from the effects of sanctions, a plummeting oil price and decades of mismanagement, not to mention the cost of funding militias and dictators in the region. Youth unemployment is rising and living standards are falling.”² Another problem is connected with central planning. It is estimated that more than 60% of Iran’s economy is regulated and controlled by the government. Such situation seriously limits Iran’s economic growth, innovations, and development of free market mechanisms.

WE ARE NOT VERY RICH FOR THE MOMENT,
BUT WE ARE POWERFUL

One of the key elements of power is military power. Once this factor was the most important one, at least according to realists. Some analysts and military experts point out that the Iranian army is powerful. Well, it is partially true. Everything depends on a chosen definition of army. In case of Iran we observe two main formations, namely the *Armed Forces of the Islamic Republic of Iran* and the *Army of the Guardians of the Islamic Revolution*. In terms of military equipment, the latter is relatively stronger than the regular army. Those two formations combined together have more than 675 thousand soldiers. Yet surprisingly in 2013 Iran spent less than 1,8% of its GDP on military. It was much less compared to other Persian Gulf states.

Undoubtedly, the Iranian military formations are powerful, but Iranian authorities clearly emphasize their defensive character. Nevertheless, neighboring Arab states doubt that. There is also a suspicion that Iran is pursuing research that could enable it to produce nuclear weapons. Iran’s alleged military nuclear program looms large in international community’s mind. Although the Iranian program is monitored by the International Atomic Energy Agency, its officers claim that “the Agency is not in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran, and therefore to conclude that all nuclear material in Iran is in peaceful activities.”³

² The Economist 2015.

³ IAEA 2014.

As far as external military activities of Iran are concerned, there is hard evidence that its military formations especially the elite *Quds Force* have been involved in some regional conflicts for years, for instance, in Lebanon, Syria, the Gaza Strip or in Yemen. Moreover, some scholars, politicians, and analysts accuse Iran of sponsoring of various terrorist groups and tend to present Iran’s policy as one of the main threats to international security and stability. Such pessimistic and realistic point of view is shared even by the Subcommittee on Terrorism, Nonproliferation, and Trade of the Committee on Foreign Affairs of the US House of Representatives. In their recent report, entitled *State Sponsor of Terror: The Global Threat of Iran*, Fredrick W. Kagan wrote: “Iran has deployed conventional and irregular forces to numerous conflicts throughout the Middle East, and it retains the ability to conduct terrorist operations using its own or proxy forces in Europe, Latin America, and possibly elsewhere. Iran has significantly increased its ballistic missile force over the past few years, both in size and in capability. Tehran also appears to be undertaking an expansion of its conventional military capabilities. The global Iranian threat – independent of the status of its nuclear program – is greater today than it has ever been.”⁴ Such judgement seems to be too unrealistic and exaggerated, however, it is a matter of fact that Iran is very active worldwide including Latin America. The recent study of Joseph M. Humire and Ilan Berman only proves such claim.⁵ Nevertheless, the Iranian authorities underline their commitment to peace and deny all such allegations.

OUR FOREIGN POLICY IS A CONTINUATION
OF OUR DOMESTIC POLICY

Yes, Iran has the biggest territory and the biggest population in the Persian Gulf region. Yet one can observe that Iran lacks political potential especially as far as regional support for its foreign policy is concerned. There is significant political opposition to Iranian actions especially in the Gulf Cooperation Council (GCC) member states and Turkey. As regards to that, ideational rivalry takes place between Iran and Turkey, Saudi Arabia, and Egypt. Nonetheless, the Presidency of Hassan Rouhani, which began in August 2013, has already resulted in a noticeable thaw in Iran’s relations with some GCC states. The only two GCC member states, which relations with Tehran could be described as strained, are Saudi Arabia and Bahrain.

Iran’s regional influence is not bigger than it was, for instance, in the 1980s or 1990s. Although Islamic authorities attempted to ‘export’ revolutionary ideas

⁴ US Publishing Office 2015: 9.

⁵ Humire, Berman 2014.

and promote them across the Middle East and North Africa, all those actions were rather unsuccessful. In the past Iran failed to secure strategic depth for its foreign policy in Sudan in the 1990s as well as in Egypt in 2013. Its only true political ally in the region is Syria which has been suffering from a civil war since 2011. That's the reason why Iran defends President Bashar al-Assad by every possible means. If Iranians lost a friendly regime in Damascus, they would not only lose one of their two real Arab allies, but also strategic depth and the connection with the Mediterranean as well as a remarkable bridgehead in Levant. Iran needs Syria to support its allies from Hezbollah and Hamas. And to have some influence on the situation in Lebanon.

WE ARE OPPRESSED AND SUPPORT OTHER OPPRESSED PEOPLE

The Iranian authorities tend to declare various things on behalf of the whole Shia community. They even claim that Iran represents interests of all Shia Muslims and is their sole defender in the Islamic world dominated by Sunnis. On this basis Iran interferes in internal affairs of such countries as Lebanon, Iraq, Syria or Bahrain and directly supports the Lebanese fraction of Hezbollah. Shia Muslims outside Iran may not accept this help, but in reality they have no choice.

What is more, Iran sees itself as a defender of Palestinians. For this reason nobody should be surprised to see Iran supporting Hamas in the Gaza Strip, although it is a very bizarre alliance. A Shia dominated state, which helps a radical Sunni organization, deserves lots of attention. In 2013 Minister of Foreign Affairs of Iran Javad Zarif wrote in his article for *Foreign Affairs* as follows: "Iran will continue to support the cause of oppressed people across the world, especially in Palestine, and will continue its principled rejection of Zionist encroachments in the Muslim world."⁶ Later Iran put its money where its mouth was.

NEITHER MIKTA NOR CIVETS?

There is no doubt that economic sanctions imposed on Iran seriously limit its economic growth. Even if it sells its products such as crude oil and gas to some Asian partners, these incomes do not cover costs of the loss of European customers. Such circumstances have an impact on its global economic position

⁶ Zarif 2014.

as well as institutionalization of its political and economic links with other states. To put it bluntly, if you do not belong to any prestigious club, you do not have much to say. That's the reality in case of Iran.



IRANIAN POLICY IS DRIVEN BY OTHER
FACTORS THAN ECONOMIC
GROWTH AND WELFARE.

For the time being the Islamic Republic of Iran belongs neither to MIKTA, which brings together Mexico, Indonesia, South Korea, and Turkey, neither to CIVETS which groups six favored emerging market countries, namely Columbia, Indonesia, Vietnam, Egypt, Turkey, and South Africa. By the way, one should not mention BRICS as far as Iran is concerned due to the group's members much higher potential.

This second acronym was coined by one of the Economist Intelligence Unit's director, Robert Ward. A state must meet a few criteria in order to be enlisted as a CIVETS member. One of them is inflation control and the other two are a complex and efficient financial system as well as a soaring young population. Why did not he include Iran? Well, the reason seems to be obvious. Due to economic sanctions, Iran does not have enough capability to become a fully-fledged emerging market country. Although it possesses the necessary potential, Iran cannot make good use of its chief assets. Moreover, there are also political reasons. As long as Iran tries to challenge the West in general and the United States in particular, global experts will perceive Iran as an unreliable partner and a very risky place to invest any serious capital.

In case of MIKTA, there are a few reasons for that. Firstly, Iran does not belong to G-20 like all MIKTA's members and does not take part in so-called global governance. Secondly, Iranian authorities do not share peaceful and constructive approaches to international issues. Iran is accused of supporting various terrorist organizations or paramilitary groups. Thirdly, Iran does not have democratic political structures. Finally, so far Iran has not been considered as a rapidly growing economy, at least since 1979.

All abovementioned factors only prove that Iran is not a partner for such international fora, however, everything could change if the economic sanctions were lifted in the nearest future. It seems that the P5+1 nuclear talks with the Islamic Republic of Iran is the main key to success. No diplomatic progress could result only in two options, namely (1) the maintenance of status quo or (2) political/military confrontation. Both scenarios would be devastating from the

Iranian point of view. Yet Iranian authorities do not seek any final agreement with the P5+1 group at any price. It means that they may sacrifice the deal for the sake of national pride. And one has to know and understand Iranians to make sense of their point of view as well as their decisions which sometimes seem to be based on irrational choices. Meanwhile these irrational decisions only prove that Iranian policy is driven by other factors than economic growth and welfare. Ideology still dominates its foreign policy even if it is not as clear as it was in the 1980s or the 1990s.

BUT 'THE NEXT ELEVEN' IS OURS!

Well, it is true. While Iran has not been included as a member of MIKTA or CIVETS, Goldman Sachs rates Iran as a part of the so-called 'Next Eleven.' Some scholars refer to it as N-11. It groups eleven states, namely Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam. The criteria that Goldman Sachs used were quite broad. Among them were macroeconomic stability, political maturity, openness of trade and investment policies, and the quality of education. While the last factor seems to be the least controversial in case of Iran, the first three are rather disputable. Firstly, Iran's economy is certainly big, but it is not strong and stable. Iranians face financial troubles and cannot enjoy unhampered access to the world's financial system. Besides, the authorities have been struggling with high inflation for many years. Right now it is higher than 18%. Secondly, its political maturity can be associated with the Presidency of Rouhani and his new opening. Yet the previous two terms of Ahmadinejad resulted in an unprecedented marginalization of Iran both at regional and at global level. It is too early to claim that Iran's actions are rational and predictable. The recent events in Yemen only support such position. Last but not least, can anybody classify the Iranian economy as open for trade and foreign investments if more than 60% of it is controlled by various governmental institutions?

THE IRANIAN SOFT POWER: FROM SHIA ISLAM TO IRANIAN CINEMATOGRAPHY

Does Iran possess any soft power? Can it be attractive to other states in the region and/or in the world? As an Islamic state Iran is dominated by Muslims. However, contrary to such states as Saudi Arabia, Egypt or Turkey, it is dominated by Shia Muslims. This makes a difference. And as the most populated Shia state, Iran aspires to the role of the sole defender of Shia Islam and its believers. As a consequence, Iran defends them everywhere and every time even if they do not really seek any support. The case of Bahraini Shia population describes this

phenomenon best. During the protests of 2011 Shia protesters did not seek any help of Tehran, because they knew that it might have resulted in a serious crisis. Yet unofficially Iran supported them what encouraged the Bahraini monarch, Hamad bin Isa Al Khalifa, to ask Saudi Arabia and the United Arab Emirates for help to end social unrests. This particular event only proved that Arab states are afraid of Iranian external activities in the region and still perceive Iran as an ideological enemy.

Well, the other dimension of Iranian soft power is related to attraction of its culture. The question remains if Iranian culture and language can be popular in the Middle East region. Undoubtedly, the Iranian cinematography is very successful. Yet it does not necessarily mean that it is very popular. This is especially true in case of their reception either in Europe or in the United States. Most Iranian movies are of an existential nature when people in the West do not have enough time for any reflections on the vicissitudes of human life, not to mention life itself. Last but not least, Javad Zarif promised to counteract Iranophobia and Islamophobia.⁷ It only proves that Iran feels partially responsible for the image of Muslims and tends to promote Islamic as well as Iranian values and positions on various social and political issues.

IRAN GOES BALLISTIC PLUS IRAN'S SPACE ENDEAVOUR

If an own space program constituted one of the requirements for a state to be classified as an emerging power, then Iran is or maybe was on the right path. The Iranian Space Agency (ISA), established in 2004, has a few successes on its scorecard. Among them is the first Iranian orbital launch of 2009. Moreover, Iran is the 9th country to put a domestically-built satellite into orbit using its own launcher and the sixth to send animals in space. There are two main launch sites, namely Emamshahr and Qom.

According to Parviz Tarikhi, "Iran's leaders and authorities show great enthusiasm for the dream of traveling and living in space."⁸ Tarikhi even cites the former President, Mahmoud Ahmadinejad, who quipped: "I'm ready to be the first Iranian to be sacrificed by the scientists of my country and go into space, even though I know there are a lot of candidates."⁹ Well, it seemed and still seems very unlikely, not only for political reasons. Nobody really knows whether the President was joking or it was a kind of declaration. And nobody knows if the program will be continued or not. In January 2015 it was temporarily shut

⁷ Zarif 2014.

⁸ Tarikhi 2015: 204.

⁹ Tarikhi 2015: 204.



EVEN ITS ENEMIES ADMIT THAT IRAN IS
TOO POWERFUL TO BE IGNORED

down. Later it was revealed that President Rouhani only moved the program back to the ministry. All rumors ended on February 3 when Rouhani declared in a televised statement that the space program will continue. Nonetheless, according to Jassem As-Salami, “it’s possible that Iran could launch a few of its remaining rockets. But with no single space agency and no sustained funding, Tehran’s orbital ambitions all but ended on Jan. 9.”¹⁰ A country with serious macroeconomic problems cannot afford such an ambitious space program in the long run especially as Iran suffers from a massive brain-drain, with many of its young scientists leaving the country to work in the West.

It has to be underlined that the Iranian space program is purely peaceful, however, there is no doubt that its rocket technology is based on the Iranian ballistic missile projects. For instance, Shahab-3, which is an Iranian version of the North Korean rocket Nodong-1, was used to launch Saphir, namely the first Iranian expendable launch vehicle that is able to place a satellite in orbit. If Iran’s neighbors are afraid of anything of Iranian origin, this is its ballistic missile program, not space conquest. According to Yoel Guzansky and Yiftah S. Shapir, “Iran’s potential capability lies somewhere in the future, while its ballistic missile capabilities are here and now.”¹¹ Such circumstances only encourage GCC states to allocate more funds for anti-missile defense and look for more offensive systems. If anybody has waited for a regional arms race, it is taking place right now.

WHAT’S NEXT?

One can say that contemporary Iran is on the rise. It is gaining more and more influence in the region. Even its enemies admit that Iran is too powerful to be ignored. The US administration’s approach towards the P5+1 talks serves as the best example of such attitude. So far President Barack Obama has done a lot to secure the deal with Iran. He even mentioned the comprehensive agreement as one of the main aims of US foreign policy in the National Security Strategy of February 2015. There is hope that once the agreement is signed Iran will cooperate with the West, not confront it. And that both sides can only

¹⁰ As-Salami 2015.

¹¹ Guzansky, Shapir 2015.

benefit from such political solution. Yet political opponents of Barack Obama both in the United States and in the Middle East criticize his moves and claim that Tehran will try to exploit this American soft approach and take advantage of the current situation in the region. Such voices can be heard especially in some Arab ally states like Saudi Arabia as well as in Israel.

As far as the Iranian economy is concerned, it is beyond the shadow of a doubt that if there were no economic sanctions, Iran’s growth would be much more dynamic and would give it more political options both in the Middle East and outside the region. Iran is already a Middle Eastern power. Its potential is that of a regional power and Iran meets all criteria. Yet it also faces strong regional opposition especially in the GCC member states. The question is whether Iran could upgrade his position in the world system and play a more important role at global level.

Iran’s space program as well as other ambitious projects place it among emerging states which may become powers in the nearest future. It has huge reservoirs of crude oil and gas. What’s more, Iranian population is young, ambitious, and vibrant. So, Iran has it all. At least it seems so. As long as economic sanctions are imposed on Iran, its potential will remain seriously limited. It is true that the political and economic future depends on Iranian authorities and their attitude towards negotiations with the P5+1 group. Yet the international community also has a role to play in this case. Both sides can benefit from the agreement.

All in all, Iran can be classified as an emerging power. It has significant political, economic, military and scientific potential. Yet its current position seems to be much weaker than positions of Brazil, Turkey or Indonesia. Iran has got the necessary potential, resources, and ambitions. But it lacks international recognition of its position, suffers from economic sanctions, and – to some extent – political isolation in the West. That is the main reason why there are no plans to add an ‘I’ to any functioning group of states and there is neither BRI(I) CS, nor MI(I)KTA.

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FROM "POWDER KEGS" TO ENGINES OF GROWTH URBANIZATION AND CITIES IN THE GLOBAL SOUTH

URBANIZATION IS ONE OF THE DEFINING FEATURES OF OUR TIMES. TODAY MOST OF HUMANITY LIVES IN URBAN AREAS AND THIS PROPORTION WILL ONLY GROW IN THE COMING DECADES. MOST OF THIS GROWTH WILL TAKE PLACE IN COUNTRIES BELONGING TO THE SO-CALLED GLOBAL SOUTH OR DEVELOPING WORLD SPREADING MOSTLY THE CONTINENTS OF AFRICA, ASIA AND LATIN AMERICA. NATURALLY, IT WILL PRESENT AMPLE OPPORTUNITIES AND TOUGH CHALLENGES FOR COUNTRIES THEMSELVES, BUT ALSO FOR THE WIDER REGIONAL AND GLOBAL ORDER(S).

Historically, urbanization has been accompanied by economic growth and social development. However, that was largely true where developed countries were concerned. When urbanization exploded in the Global South it has painted a much more ambivalent picture. New megacities that arose can in many instances be viewed as proverbial "powder kegs." Poverty, inequality, uncontrolled splurge, crime, intercommunal violence and environmental degradation create combustible sociopolitical mixture, which can breed instability and, due to the rising interconnectivity of a globalized world, reverberate far across the seas.

The diagnosis of problems seems to be clear, we would like to propose a search for answers. How can the Global South's urban systems be turned

forthcoming: global trends

into proper engines of socioeconomic development? How can they transform dysfunctional urbanization into even and sustainable growth? Will they manage in face of rising global inequality and increasing environmental pollution?

We invite contributions dealing with following issues:

- What are the exact sources and characteristics of the main challenges cities in the Global South face?
- What are the most effective and innovative strategies of coping with these problems? Do we have good examples or best practices?
- How will the forces of globalization change cities in the Global South for better and worse?
- In what circumstances can building new cities from scratch (as practiced in China, India, Kazakhstan, Brazil, etc.) be a good solution?
- What are the prognoses for future development of these existing megacities?
- What can the Third and Second World learn from each other, when it comes to urbanization?

Proposed research fields:

- Urban economy – cities as self-contained economies, decoupling of urban-rural development, inequalities of urban growth, favelas and slums, urban infrastructure – challenges and solutions
- Politics of mega cities – social and political movements, government strategies, new forms of urban governance, role and power of cities in national, regional and global politics.
- Social factors – changing identity and structures of urban societies, social ills, pathologies and coping strategies, migration and its effects
- Security – cities as conflict zones, policing and public order strategies, no-go areas, crime networks in cities
- Environment & sustainability – environmental degradation and strategies for its mitigation, new strategies for sustainable urbanization

forthcoming: regional issues

NEW FORCES AND FAULT LINES FIVE YEARS AFTER THE ARAB SPRING

ON 17 DECEMBER 2015 IT WILL BE EXACTLY FIVE YEARS SINCE THE WORD SELF-IMMOLATION WAS REINTRODUCED TO THE GLOBAL HEADLINES, BUT THE YOUNG, DESPERATE TUNISIAN STREET VENDOR, MOHAMMED BUOZIZI SET MORE THAN HIMSELF ON FIRE THAT DAY. HIS ACTIONS GALVANIZED THE YOUNG AROUND NEW, POWERFUL FORCES THAT STARTED SHAKING THE FOUNDATIONS OF THE OLD ORDER FROM MOROCCO TO SYRIA.

Despite the optimism, wishful thinking and the popular image of one grand regional revolution it became clear that a new wind did shake up the old autocracies, but was driven by different actors and for different reasons throughout North Africa and the Middle East. The common banner of an Arab Spring was lowered with disappointment when global observers caught up with local realities and the dark sides of some of these new forces – unlike the color revolutions, which were able to maintain their common label.

This regional issue of R/evolutions will take a closer look at the new forces the Arab Spring has unleashed in various countries across the region. There is no doubt there have been structural changes: Who are these new forces, what are their common characteristics and how have they evolved in the last five years? Can we find a new realignment of regional power through the smoke of popular protests and civil war? And most important, what are the new fault lines, the cracks on the surface that are doomed to get bigger over time?

THE ARAB SPRING – A GAME OF THRONES?

Especially interesting is the question if the last breed of dinosaurs among political regimes – the monarchies – will be able to come up with new Darwinistic skills. Will more repression be enough for these autocrats to stay in power or can we witness new adaptation strategies?

- **Morocco:** King Mohammed VI for instance understood the state of affairs and quickly proclaimed comprehensive constitutional reform, which calmed the protests and ensured his stay on the throne. The main change was the introduction of a prime minister from the largest party in the parliament and cabinet of ministers. The reforms stabilized the country and has kept the (still powerful) monarch safe from political disturbances.
- **Jordan:** Some analysts say that Jordan has escaped the Arab Spring. When the uprisings were at its peak, Jordanian authorities stayed calm, acknowledging their position in the region and support they have gotten from the West. King Abdullah has expressed his wishes to stay away from the Islamist forces; a move boycotted by the Muslim Brotherhood Islamic Front, claiming that the new electoral law is discriminatory and in favor of the rural indigenous Bedouin population, who dominate the government and security forces. Can the status quo remain as more and more refugees pour in from Syria?
- **Bahrain:** The major problem for the protesters in Bahrain is the Western allied Sunni monarchy, which continues to oppresses Shiite majorities. The authorities crushed the demonstrations for more political rights in 2011. The Crown Prince, Salman al-Khalifa is considered a moderate, but can he assert his influence as the rest of the royal family keeps rallying with Saudi and Emirati (Sunni) security forces.
- What courses will Kuwait, Oman, Qatar, the United Arab Emirates and especially Saudi Arabia take to preserve their monarchies?

FIVE YEARS LATER – IS WINTER COMING?

In particular after the events in Egypt, we should not underestimate the repressive forces that have gathered new momentum in face of external threats. Not only the fate of Syria and its poor population is proof of this trend - the initial hopes for democratization seem increasingly utopian across the region:

- **Egypt:** The Tahrir Square in Cairo was the center and a symbol of the Arab Spring, but Egypt has gained nothing significant out of the revolution. After Hosni Mubarak left the office, the Muslim Brotherhood came to power with Mohamed Morsi as a president. Reactionary forces did not only overtake the elites when the ultra-conservative Salafist party the al-Nour Party, got 24% of parliamentary seats. As soon as Morsi got into the presidential office he decided to consolidate his hold on power. A hastily approved, new constitution granting him additional powers clearly moved the state towards Islamism. This time mass protests against the president on Tahrir Square led to a coup sending Morsi to prison. After the short post-coup transition Abdul-Fattah el-Sisi took office sentencing hundreds of Muslim Brotherhood members were to death oppressing all opposition.
- **Libya:** After the overthrow of longtime dictator Mu'ammarr al-Qadhafi, decades of personalist rule took its toll: weak institutions, influential corrupted militaries, weak politicians and a fractionalized society drowned slowly in a conflict between secularists and Islamists, on top of regional rivalries among local militia groups.
- **Yemen** has not known peace since the first clashes in 2011. Fights between the government and southern secessionists, Al-Qaeda rebels and northern Shia opposition groups keep the country in a constantly destabilized state. Thousands of people have died in the process. Powerful sheiks and tribal leaders continue to sway the people for their cause and resist central rule.

But these is also hope: Tunisia might be an exceptional case; the country is undertaking a successful transition from authoritarianism to democratic rule. After the mostly nonviolent removal of President Zine el-Abidine Ben Ali, the Islamist party Ennahda got to power. Secular opposition was so successful in political processes that Ennahda quickly had to give up its Islamist aspirations and in the end the leading party resigned from the government. In 2014 Tunisia adopted a most liberal constitution and is completing its transition towards democracy. Can the recent acts of terrorism derail this process?

Proposed research fields:

- New fault lines – what ideological, cultural, ethno-religious, etc. divisions will irreversibly shape the geopolitical outlook of the Middle East and North Africa (MENA)?
- New forces – what societal, governments, transnational networks and external actors are gaining momentum and transforming power relations from outside and from within? How can they be qualified? What are their shared characteristics?
- Regime theories, democratization, regime promotion, revolutions, linkage & leverage, black knights, etc.

- War, conflict, poverty, refugees, regional implications, instability, foreign intervention, peace-building, radicalization, terrorism, etc.
- Social forces, civil society, organizations, NGOs, people participation, activism, etc.



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