

G20 AND BRICS: TOWARDS A JOINT PURSUIT OF EFFECTIVE MULTILATERALISM FOR THE GLOBAL SOUTH

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The Global South is, unarguably, the pivoting point of debates and deliberations in the G20 grouping. As the baton of the G20 presidency passes on from India to Brazil, the greater representation of the Global South, its role in global governance and strengthening multilateralism will be the moot point and pursuit. BRICS remains a pre-eminent platform for South-South cooperation and its founding members are some of the most prominent actors within the G20 as well. Moreover, BRICS' recent enlargement has increased its relevance as a platform for cooperation among emerging markets and developing countries. However, the world is, simultaneously witnessing a crisis of multilateralism and a growing great power rivalry amidst an emerging multipolar order. This issue brief, therefore, argues that building greater synergy out of the inherent convergences between the G20 and BRICS is bound to have an additive impact in terms of addressing issues that are central to the Global South.

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Introduction

The guiding motto of Brazil's G20 presidency is "building a just world and a sustainable planet", expressing the "commitment to promote fair agreements that promote global economic and social development." Brasilia also wants to promote actions that will lead to "reduction of hunger, poverty and inequality worldwide, as well as socio-environmental development that includes a fair and inclusive ecological transition."¹ Such lofty goals have to be achieved amidst the messy geopolitical, geo-

economic and technological transitions of an emerging multipolar world order. A world crawling out of the ravages of a pandemic is now in the midst of a war in Ukraine and the growing complexities of a raging conflict in West Asia. The paradox of the times in which Brazil is assuming the G20 presidency is the imminent need for reformed multilateralism and effective global governance, and yet the difficulty of negotiating a consensus among varied national interests

and worsening regional security scenarios. While a multipolar order reflects the power configuration of the international system populated by a number of power centers, it need not necessarily lead to stronger multilateralism.² Moreover, the growing great power competition between the United States and China has also produced an environment of contestation and confrontation besides competition, posing irritants to cooperative mechanisms that are essential for achieving the Sustainable Development Goals (SDGs).³

Time is Ripe for a G20-BRICS Synergy

Multilateralism has been a constant feature of international relations, be it a bipolar or a unipolar one. It has always been, and will exist, as a means of identifying and finding solutions to some of the most pressing transnational issues. The reality in the current circumstances is that what worked in earlier power configurations is not necessarily working for the present one, and that is the reason, G20 will have to reshape multilateralism for a multipolar order. Such a mechanism has to evolve a more equitable governance model in which both economic and political cooperation will include states from Global North and South. While G20 remains the pre-eminent multilateral platform for global governance in the 21st century, many other multilateral institutions exist, that propagate the same goals and purpose as G20. The BRICS (Brazil, Russia, India, China, South Africa) originally formulated as BRIC, which has now expanded to include Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates is one such institution, that includes some of the most prominent economies in the Global South. BRICS, at its core, remains an institution that primarily aims to provide alternative pathways of growth and development, in a financial order that has been mostly dominated by the West. Among the five new members, Saudi Arabia is a member of the G20.⁴ The United Arab Emirates is under the category of Guest Country during Brazil's G20 presidency. It is worth noting that BRICS grouping is likely to expand its membership further in the years ahead.

At a time when BRICS is being seen in some quarters

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as taking an anti-West curve, as a result of the growing animosity of core members like China and Russia with the U.S. and the new membership of Iran, creating synergy between G20 and BRICS becomes all the more imperative. Moving towards a more inclusive multilateralism, and devoting resources to the fulfillment of SDGs would require leveraging the new momentum for North-South cooperation in the G20 and maintaining the true purpose of BRICS, which is to serve as a pre-eminent platform for South-South cooperation for common prosperity, and not an anti-Western bloc. In this context, this issue brief proposes greater synergy and cooperation between G20 and BRICS, as an important pathway towards effective multilateralism for the Global South.

How Can the Synergy Deliver?

Rise of Non-Dollar Currencies

The G20 accounts for more than 80 percent of world GDP and 60 percent of the population of the planet. BRICS after enlargement accounts for more than 35 percent of world's GDP, around 40 percent of world population. Global South is reflected in global trade, with 25 percent of global trade in goods being South-South while 21 percent is South-North. As much as 76

percent of trade in goods consist of manufactured goods in East Asia, while natural resources account for 77 percent in Africa and 54 percent in Latin America and the Caribbean.⁵ This clearly shows that Global South has become an eminent part of global trade and cannot be ignored. Yet, 2022 data shows that the US dollar accounted for almost 90 percent of all foreign exchange transactions.⁶ The US dollar plays a dominant role in cross-border trade. Also, a large share of public and private debt all over the world is dollar denominated. For example, in China, nearly half of external debts were dollar-denominated as of December 2022. Likewise, as of mid-2022, over half of India's external debts were reportedly dollar-denominated. Overall, in 2022, approximately 58 percent of disclosed global foreign exchange reserves were dollar assets. In China and India, that figure was likely around 50 percent; in Brazil, it was reportedly over 80 percent.⁷

BRICS has shown efforts to expand the use of local currencies in trade and finance. However, the US

dollar may be used to facilitate exchanges between respective market currencies ultimately facilitating the transaction.¹⁰ Nevertheless, among BRICS countries, the US dollar and the euro are increasingly viewed as exposed to geopolitical risks, like in the case of economic sanctions. In 2023, South Africa's President said, "global financial and payment systems are increasingly being used as instruments of geopolitical contestation."⁸ These concerns are helping drive an embrace of local currencies. Moreover, the growing role and impact of BRICS' own financial mechanisms, namely the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA) as alternative source of funding for development and support system during financial crises cannot be ignored.⁹ The enlargement of BRICS in 2024 may add more heft to steps aimed at reducing the dollar's dominant role across emerging markets and greater use of non-dollar currencies. With or without the G20, evidences point to the reality that this change is already happening even though in piecemeal.

From West vs Rest to Inclusive Multilateralism

The primary aim of BRICS was to increase the influence of emerging economies and developing countries in global financial institutions but BRICS' countries have not limited their priorities to an economic agenda.¹⁰ They also want to pursue a political interest, which is aimed at rebalancing and in same way counteracting the existing global order. Strong emphasis is on refreshing institutions, which can better reflect current realities and handle contemporary issues. Despite the fact that BRICS is not a member of any international organization or forum, its members are represented in several international organizations and forums (see Table 1). For example, the 2023 Johannesburg II Declaration emphasized BRICS' interest to increase cooperation within the UN General Assembly.¹¹ Member-countries have shown some similar patterns in their stance at the UN forum on climate change negotiations and in response to Russia's invasion on Ukraine.¹² BRICS already cooperates with the Shanghai Cooperation Organisation (SCO) and the Eurasian Economic Union (EAEU).

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Table 1: Participation of the G20 and BRICS in multilateral frameworks

Multilateral Framework	BRICS	G20
United Nations	All members, two out of five (China and Russia) are also permanent members of the UN Security Council	All Member States; five permanent members of the UN Security Council
WTO	All members, except Ethiopia and Iran	All Member States
G7	None	US, Japan, Germany, United Kingdom, France, Italy, Canada
G77	All members except Russia	Saudi Arabia, Argentina, Brazil, China, India, Indonesia, South Africa
Shanghai Cooperation Organisation (SCO)	Russia, China, India, Iran	China, India, Russia,
Eurasian Economic Union (EAEU)	Russia	None
New Development Bank (NDB)	All members, except Ethiopia, Iran, Saudi Arabia	Brazil, China, India, Russia, South Africa and Egypt through the African Union
World Bank	All members	All members
Asian Infrastructure Investment Bank (AIIB)	All members	All members, except Japan, Mexico, US, EU

Source: Marc Jütten and Dorothee Falkenberg, “Expansion of BRICS: A Quest for Greater Global Influence?” Briefing, Think Tank European Parliament, March 15, 2024, compiled by the authors.

BRICS countries actively participate in the G20 through joint statements expressing their collective stance on G20 declarations.¹³ The G20 presidency was held by India in 2023, in 2024 by Brazil and will be held by South Africa in 2025. From 2023 to 2025, BRICS countries would have held three consecutive G20 presidencies. Reform of global governance and multilateralism, one of BRICS’ main working principle, is being reflected in the G20. In the same time, during the 2023 BRICS summit, member-countries confirmed that they do not seek to challenge or replace existing groupings such as the G20.¹⁴ BRICS is “committed to a balanced approach by continuing to amplify and further integrate the voice of the global South in the G20 agenda.”¹⁵ Because of BRICS’ economic size and possible growing membership, it may be in a stronger position to encourage greater

representation of developing countries (from Global South) in international forum and institutions. To adopt to this change in global governance, G20 and BRICS should establish a mechanism to share good practices and create joint research teams. Those teams should consist representatives from different sectors, including scholars, specialists, businesspersons, and policymakers. This could help build trust and promote greater understanding of each other’s interests and perspectives. G20 and BRICS may also focus on creating minilateral initiatives, which will allow focusing on the issues, which are crucial to the selected group of countries.

Multinational Development Banks and SDGs

The aim of reformed Multinational Development Banks (MDBs) to reflect 21st century global concerns, with

a focus on achieving the SDGs, is something that is conducive for the G20 and BRICS to work together. It has been accounted that MDBs have a big role to play in fulfilling the SDGs particularly in the Global South, and commensurate to the needs of particular regions and countries. Global cooperation has to take a more pro-active response to development issues, not just a reactive approach to problem solving. The G20 New Delhi Leaders' Declaration emphasized that "stronger MDBs will be important to our efforts to mobilize financing from all sources for a quantum jump from billions to trillions of dollars for development."¹⁶

Although, the normative ground for cooperation and collaboration on SDGs are convergent and apparent, regional wars and crises with global implications, and the pandemic have hit the SDGs hard, diverting resources and political attention. SDGs, as evident, aim at holistic growth and development for all, and is not incumbent on a hierarchical notion of security, putting one kind above the other.¹⁷ G20 and BRICS, given the inherent convergence on the fulfilment of these goals, need to convert the normative base into implementation from the local to the global. To finance initiatives across the spectrum in a transparent and sustainable manner, the role of MDBs is crucial, and the G20 along with BRICS, given the political and economic heft of the member-countries, are in the right position to do so. Moreover, major areas of focus under the SDGs for their fulfilment and optimum realization will require groupings like the G20 and BRICS to align their respective capacity building initiatives across the Global South.¹⁸

The Future of Technology Governance

If there was one development that is bound to significantly affect the trajectory of growth and development in the Global South, it will undoubtedly be the emergence of multi-use technologies, particularly the exponential growth in Artificial Intelligence (AI) applications. The associated opportunities and risks call for reimagining global governance of new technologies, whose pathways are highly uncertain and yet highly consequential. Both the G20 and BRICS consist of members that will be at the forefront of innovations and entrepreneurship, and will determine the good governance of technologies

and their inclusivity to reduce the digital divide in the Global South.¹⁹ The G20 New Delhi Leaders' Declaration contended, "Technology can enable rapid transformations for bridging the existing digital divides and accelerate progress for inclusive and sustainable development." Enabling Digital Public Infrastructure (DPI) on a need based and consultative manner across the Global South is an area that G20 and BRICS should focus attention and resources. "To unlock the full potential of AI, equitably share its benefits and mitigate risks, we will work together to promote international cooperation and further discussions on international governance for AI," the New Declaration said.²⁰

Conclusion

Limiting the US dollar's role in international trade is already becoming a fact rather than mere boardroom discussion. Although it is still the most commonly used currency and the introduction of a BRICS common currency in coming years is overstated, BRICS will likely increase their use of local currencies for bilateral trade, in part reducing their exposure to foreign exchange volatility. Given the unmistakable trend of de-dollarization, the G20 needs to show more interest and become part of the change or run the risk of being left out of decision-making and be caught by surprise. It is worth noting that according to information shared during BRICS summit in 2023, more than 40 countries had shown a willingness to join the group, and 22 had formally submitted their applications.²¹ This trend shows the potential increase of BRICS' influence on existing economic regime. Members of G20 and BRICS share membership roles in a number of multilateral networks that govern the current financial order (see Table 1) and this reality does create a number of opportunities for cooperation. It depends on the political leaders how they use these opportunities for cooperation. There is also a chance that even if cooperation will emerge, the consensus will be not reached and conflict will emerge, which may lead to trade war or any other form of economic conflict.

Rise of political influence of the Global South and the West's relative loss of power is one of the characteristics of 21st century. Moreover, some of the major international

institutions, which were created by western powers, such as the United Nations, are becoming less relevant in responding to global or regional emergencies and crises. The theme of the BRICS summit in 2023 was focused on Africa and in the same year under India's G20 presidency, the African Union (AU) was accepted as a member, under the same status as EU. Will Brazil be interested in lobbying for including MERCOSUR in G20? If yes, and if successful, it would ensure bigger representation of the Global South. Due to cooperation between G20 and BRICS, a new global order may emerge in which countries from both the Global North and South will have its equal representation. This is a positive scenario, which may be also called utopian and it will be only possible once the West will be willing to "let go" of the status quo. In a negative scenario, conflict will continue and there will be no inclusive new global order. Everyone will lose in it, but change is very difficult to accept for most Western political leaders. This change will mean not only acknowledgment of a truly multipolar world but also change in balance of power, both political and economic.

There is a broad agreement that the fulfillment of the SDGs is a convergent point and a barometer of effective multilateralism. In addition, there is a general understanding and agreement on the crucial role MDBs and its financing structure will play in achieving the SDGs. However, leveraging such broad convergences and translating them into focused and prioritized actions is easier said than done. Debt-driven development financing through MDBs is still a major challenge in countries of the Global South, whose priority becomes paying debts, rather than focusing on SDGs. In many parts of the Global South, more funds are being used in interest payments rather than on health and education.²² Moreover, the sluggish reforms of MDBs, and geopolitical competition among major economies, and differing political values driving funding approaches, creates duplication instead of complementariness.²³ Demands for scaling up development in many areas of the Global South may conflict with ecological standards and practices propagated as a part of SDGs.²⁴ Moreover, the goal and purpose of capacity building is inherently significant in all areas of development, as identified

through the SDGs. However, alignments over what is perceived as quality, transparent and best practices are still uncertain.²⁵

Given the exponential and ubiquitous application of new technologies both among producers and consumers, good governance of technologies seems like written on the wall. However, geopolitics permeates the governance of technologies as well. At a time when the two most important producers of new technologies in the world, the United States and China along with their allies and partners, are locked in a new great power rivalry as autocracies vs democracies, creating rules of the road on technologies is an uphill task.²⁶ Creating an alignment between national security and commerce, in determining market access of technologies will be the moot point.²⁷ It is certainly not a low hanging fruit, and much ground needs to be covered, in responding to the need for a governance based on transparency and human rights, in a rapidly changing technological environment.²⁸

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