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G20 AND BRICS UPDATE

E-NEWSLETTER

Issue #18 - February 2014

The Fossil Fools Troika

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"G20 President in 2013"

Tony Abbott
"Current G20 President"

Recep Tayyip Erdoğan
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Reflections on 2014 Summit Agenda

In **"The G20 must face up to need for reform," Senator Christine Milne,** Green Party, Australian Parliament, describes how the new government of Australia should use its Presidency of the G20 to deliver major reforms and initiatives, such as elimination of fossil fuel subsidies.

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In **"The Think20 (T20) Advises the Australian G20 Presidency," Alan Alexandroff**, Director of the Global Summitry Project at the Munk School of Global Affairs at the University of Toronto, describes a recent T20 meeting in Australia, compares the T20's priorities with those of the Australian Prime Minister, and presents challenges for the G20 Presidency.

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Reflections on BRICS

In, **"The BRICS: The Struggle for Global Hegemony in a Multi-Polar World," Graciela Rodriguez**, Coordinator of Instituto EQUIT and Member of REBRIP (Brazilian Network for the Integration of the People) describes the perils of and promise for the BRICS to supplant the orthodox neoliberal model with a state-led economic system.

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Two articles: **"Club Governance: Prospects for civil society engagement" by Vitaliy Kartamyshev**, Co-Chair of GCAP Russia and President, Foundation 'Coalition Against Poverty,' and **"Brazil's Leadership of the 2014 BRICS Summit" by Oliver Stuenkel** of Getulio Vargas Foundation describe the challenges faced by the BRICS in assuming global leadership.

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Must Read

--"Using the Transatlantic Trade and Investment Partnership by **Harrison School of Public Law**

--"Think20 Papers 2014: Policy Recommendations for the Brisbane G20 Summit," published by **the Lowy Institute of Australia**.

-"Views from India on the BRICS" including publications by **Jayati Ghosh**, Professor, Jawaharlal Nehru University and by the **Observer Research Foundation**, India.

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Introduction

The "Fossil Fools" Troika Leads the G20 to Brisbane Summit

Nancy Alexander, Heinrich Böll Foundation - North America

As of December 1, 2013, Australia stepped into the role as G20 President, flanked by its "Troika" partners: Russia (the 2013 President) and Turkey (the 2015 President). Its new conservative government led by Prime Minister Tony Abbott has laid out goals – stimulating growth and building global economic resilience; 10 policy priorities; and a calendar of activities leading up to the G20's November 2014 Summit.

In her article, "The G20 must face up to need for reform", **Senator Christine Milne**, Green Party, Australian Parliament, describes how, during fewer than 100 days in office, Abbott executed a dramatic retreat from global responsibility. She lays out an agenda for a responsible G20 and urges re-commitment to its 2009 promise to eliminate fossil-fuel subsidies, which drive climate change. Milne writes, "This is a stark example of the G20's unfinished and important business. Let's work to restore this goal to its rightful place: the top of the agenda." Due to pressure from the U.S., the issue remains on the agenda. (See box, below, "The U.S. Strong-Arms Australia over Fossil-Fuel Subsidies".)

According to "Using the Transatlantic Trade and Investment Partnership (TTIP) to Limit Fossil Fuel Subsidies?" ("Must Read" column, p. 7), attorneys at Georgetown Law describe how worldwide fossil-fuel consumption and production subsidies, which totaled about $650 billion in 2012, could be reallocated to create jobs and promote renewable energy. This paper, prepared for the European Greens Group, suggests that TTIP debates could promote a binding international agreement to limit fossil-fuel subsidies.

In "The Think20 (T20) Advises the Australian G20 Presidency", **Alan Alexandroff, Director of Online Research and the Global Summitry Project at the Munk School of Global Affairs at the University of Toronto** describes how a December meeting of the T20 in Sydney, Australia, produced articles on the priority areas: the G20 economic/finance process; trade liberalization; infrastructure; and development. The collection, "Think20 Papers 2014: Policy Recommendations for the Brisbane G20 Summit", was published by the Lowy Institute and presented to the Australian Sherpa. (See "Must Read" column on the T20, p. 11)

New to the G20?

To find out more about the G20's history, the power dynamics and the issues the group addresses, click on the link below.

INTRODUCTION TO THE G20

Alexandroff highlights Prime Minister Abbott's key priorities (e.g., trade, infrastructure, taxation, and banking) and makes policy recommendations in these areas and others, such as macroeconomics and performance of the multilateral development banks. He emphasizes that the T20 believes development needs to be "mainstreamed" in the G20 growth agenda and, even if the G20 does not embrace a strong development agenda, it needs to get serious about financing climate-change mitigation and adaptation.

Perspectives on the BRICS

Since the 6th Summit of the BRICS (Brazil, Russia, India, China, and South Africa) is tentatively scheduled for July 15–16 in Forteleza, Brazil, this "G20–BRICS Update" focuses on several perspectives from those countries.

In "The BRICS: The Struggle for Global Hegemony in a Multi-Polar World", **Graciela Rodriguez, Coordinator of the Instituto EQUIT and the Project "Empowering CSO Networks in BRICS Countries in an Unequal Multi-polar World;" Member of the Coordinating Team of REBRIP (Brazilian Network for the Integration of the People)**, describes BRICS's potential to supplant the orthodox neoliberal model with a state-led economic system. She identifies BRICS's two key initiatives: the creation of the BRICS Bank and the Contingency Reserve Arrangement. These initiatives and the possibility of conducting trade within BRICS in national currencies have the potential to protect against the cyclical crises of transnational and financial capital and promote a new development model.

In "Missing Political Will? Brazil's Leadership of the 2014 BRICS Summit", **Oliver Stuenkel, Assistant Professor of International Relations, Getulio Vargas Foundation, Brazil**, describes Brazilian President Dilma Rousseff's chance to make her mark when she convenes the BRICS Summit (probably in July). Yet, she never really warmed to the idea of BRICS and her foreign policy team faces a tough challenge: maintain momentum and show that Brazil benefits from membership.

In "Club Governance: Prospects for civil society engagement", **Vitaliy Kartamyshev, Co-Chair of GCAP Russia and President, Foundation "Coalition Against Poverty"**, discusses how years of global economic expansion only deepened levels of inequality. He analyses the geopolitical importance of BRICS, their role in fostering results-oriented policies, and the opportunities for and challenges to civil-society engagement in fora, such as BRICS.

Two "Must Reads" (p. 15, 16) report "Views from India." In "The Global Economic Chessboard and the Role of the BRICS: Brazil, Russia, India, China, and South Africa", **Professor Jayati Ghosh of Jawaharlal Nehru University** describes the need for BRICS to enhance diversification in exports and bilateral currency trade; address income and asset inequality; integrate the views of developing countries; and avoid replicating the patterns of North-South interaction (for instance, where the North keeps the monopoly of high-value-added production).

In "A long-term vision for BRICS, Submission to the 2013 Academic Forum", India's official think tank, **the Observer Research Foundation**, outlines its perspectives on BRICS's priorities. Its views on the BRICS Bank are especially notable because the Indian government has asked it to draft a design of the BRICS Bank during 2014.

U.S. Strong-arms Australia over Fossil Fuel Subsidies
How will the B20 and C20 Weigh In?

Before his keynote address at the January 2014 World Economic Forum in Davos, Switzerland, Prime Minister Abbott met with the Business 20, which will address four priority areas in 2014: financing growth; human capital; infrastructure and investment; and trade. The Civil 20 priorities relate to: inclusive growth and employment that tackles inequality; infrastructure; climate and sustainability; and governance. It is not yet clear how removal of fossil-fuel subsidies will feature on the B20 or C20 agendas.

Last year, in the G20 Business Scorecard, the International Chamber of Commerce gave the G20 a "fair" rating for progress toward ending inefficient fossil-fuel subsidies and redirecting a portion of them to support energy access and other public priorities. This year may be a different story. Headed up by Wesfarmers CEO Richard Goyder, the Australian B20 comprises 30 business leaders. Among them are leaders from BHP Billiton, Shell, Rio Tinto, Origin Energy, Qantas, several large developers, Telstra, Microsoft, Rupert Murdoch's News Ltd., and all of the "big four" banks that are the target of 350.org's fossil-fuel divestment campaign in Australia.[1]

According to reports, the U.S. pressured Australia to keep the issue of fossil-fuel subsidies on the G20 agenda through the "G20 Energy Sustainability Working Group." A related "Investment and Infrastructure Working Group" will tackle the estimated $50 trillion global infrastructure deficit in the energy and transport sectors, among others. (The G20 calendar, including working group meetings, is here.)

The word "climate" should not be anathema to the G20 given that the November 2014 G20 Summit in Australia is the "pivot" between the UN Climate Summit in September 2014 and its climate negotiations leading to an internationally binding agreement in 2015. Moreover, in 2010, G20 nations collectively accounted for 78% of global carbon emissions from fuel combustion.

If the G20 avoids the climate issue, it should at least recognize how fossil-fuel subsidies drain national budgets. Abbott has railed against multi-national corporate tax dodging[2] and "handouts" or subsidies to industry; he might acknowledge that fossil-fuel subsidies are "handouts".[3]

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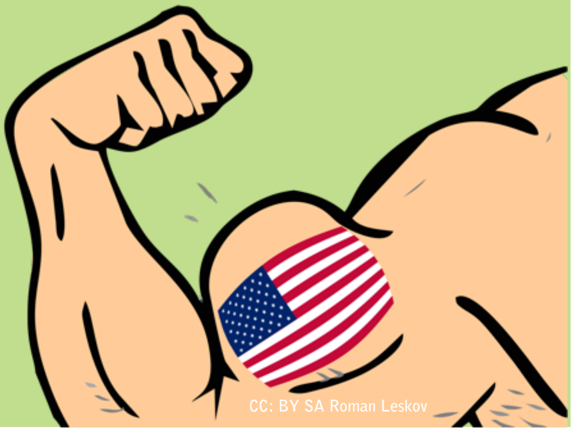
[1] Cate Faehrmann, "Fossil Fuels and the G20: A Scoping Study for a Campaign", January 2014.

[2] "ATO Targets Companies as $1.8 billion in revenue looms", in Financial Review, December 2, 2013.

[3] "Abbott tells businesses not to accept subsidies", in The Conversation, December 18, 2013.



G20 must face up to need for reform

Senator Christine Milne, Green Party, Australian Parliament

On 1 December 2013 Australia assumed the presidency of the G20. It was greeted domestically with a complete lack of fanfare and coincided with an end to a year in which a new extremely conservative government began retreating from global responsibility and engagement.

In the three months leading up to assuming the G20 presidency, the new Abbott government:

- failed to send a minister to the negotiations under the UN Framework Convention on Climate Change (UNFCCC) in Warsaw, Poland and began dismantling the entire legislative framework to reduce greenhouse gas emissions in Australia
- threatened to withdraw from the UN Refugee Convention
- rejected the Green Capital Fund for climate finance proposed at the Commonwealth Heads of Government Meeting in Colombo, Sri Lanka
- approved a major expansion of the Abbott Point export coal port along the Great Barrier Reef, jeopardising the state of the reef as a UN World Heritage site
- engaged in mega-phone diplomacy with Indonesia over asylum seekers, leading to a major rift
- authorized Australia's security organisation to remove privileged legal documents from the office of a lawyer representing East Timor in a case before the International Court of Justice in The Hague, leading to another complaint from East Timor against Australia.

This is quite a record for fewer than 100 days in office, but it does send a clear signal that Australia has a government which does not intend to use its middle power status to engage with the international community to drive progress in addressing climate change or human rights, but rather will use that engagement to serve domestic political agendas.

It will not be credible if the major global economic powers come together at the November 2014 Brisbane Summit and ignore the climate emergency which the world faces. This is especially the case since the date of the Summit falls between the UN Climate Summit in September and the UNFCCC's 20th COP (Conference of Parties) meeting in December 2014.

Where does that leave the G20 following a largely ineffective "holding pattern" meeting in St Petersburg, leading to what is shaping up to be another holding pattern meeting in Brisbane? Is pandering to political regimes which are out of step with global imperatives all that we can now expect from G20?

It is no wonder that there is so much soul searching about the future of the G20.

It will not be credible if the major global economic powers come together at the November 2014 Brisbane Summit and ignore the climate emergency which the world faces. This is especially the case since the date of the Summit falls between the UN Climate Summit in September and the UNFCCC's 20th COP (Conference of Parties) meeting in December 2014. Concerted leadership and action are needed at all three major events to, among other things, provide the climate finance necessary to secure a 2015 global treaty to constrain global warming to less than 2 degrees.

Yet Australia will likely try to block all talk of climate finance on the agenda of the 2014 G20 Brisbane meeting.

There is a lack of transparency in agenda setting and for all the talk of "green growth" at previous G20 meetings, there has been little deviation from a "business as usual" approach when it comes to the pursuit of economic growth based on fossil fuels, non-renewable resource extraction and environmental degradation. The world was promised that growth could be decoupled from fossil fuel use, but that promise remains aspirational.

Since 1975, the G7 and (with the addition of Russia) G8 summits have met to determine the priorities of the world's richest economies.

These summits were widely viewed as undemocratic – the world's poorest nations, who were not represented, often bore the brunt of the actions taken by the richest. Many came to view the G7/8 as simply a summit of the world's most powerful nations seeking to preserve their influence.

For progressive thinkers and campaigners, these problems raise clear tensions and questions about how progressive society should regard the G20. Should the G20 stay or go or be reformed? Should we protest or engage?

The G20 was born out of a meeting of the G7 finance ministers in 1999. So an expanded remit and larger membership was the result, but the G20 has still failed to shake the criticisms that haunt the G7/G8. While the G20 represents 80 percent of global economic output, it is not representative of more than 80 percent of the world's countries or two-thirds of its people. Just one African country is a member of the G20, Europe holds four seats as well as an additional seat for the EU as a whole. Further, the G20 has no formal relationship with the 173 non-member countries (or 151 countries if all members of the EU are counted as having direct influence). These countries are left outside the G20 "tent." Importantly, the United Nations also lacks a formal relationship with the G20. A focus on the economic growth of G20 members and the world economy continues to dominate and guide the decisions and policies emanating from these summits.

For progressive thinkers and campaigners, these problems raise clear tensions and questions about how progressive society should regard the G20. Should the G20 stay or go or be reformed? Should we protest or engage?

The world was promised that growth could be decoupled from fossil fuel use, but that promise remains aspirational.

Global consensus-building and collaborative action are the only ways to solve the coming decade's big challenges, so the G20 must change if it is to act as a legitimate forum and part of the solution (rather than entrenching the problem). For starters, the G20 must be more transparent in its decision-making, less self-serving and effective at integrating its agenda with the global challenges and demands prioritized within the United Nations.

The challenge for us all is to refuse to allow Australia to further undermine the G20.
Instead, we need to insist that the 2014 G20 meeting being held in Australia -- a democratic, wealthy nation, geographically located in the Asia–Pacific region -- be the occasion at which:

a) Reform begins and the self-serving stops, or failure to do so is called for what it is.

b) Rich countries acknowledge that their economic decisions are tools to achieve social and environmental outcomes for all peoples and nations, not just for themselves to the detriment of everyone else. This can be achieved by expanding the G20's Framework for Strong, Sustainable and Balanced Growth, which is the Framework within which G20 countries make individual and collective pledges to take policy actions. This Framework needs to be expanded to embrace social and environmental realities. Moreover, the Mutual Assessment Process (MAP), which assesses compliance with promised actions should be enforced.

c) Concrete, measureable decisions are made with regard to UN representation and incorporation of UN priorities, climate change finance, fossil fuel subsidies, food security and corruption.

The G20 can only benefit from a stronger engagement with environmental groups, in addition to the strong presence of aid and social justice organisations.

To achieve this, all participating nations should be lobbied to pressure Australia to create initiatives that empower civil society, acknowledge the role of the UN, act on climate change, secure food supplies and battle corruption.

Civil Society

Australia should be encouraged to ensure a strong civil society presence -- including environmental non-government organizations -- during the entire summit process. The global economy faces huge challenges that are intimately linked to global warming and the increasing pressure we are placing on the natural environment and its biodiversity. The G20 can only benefit from a stronger engagement with environmental groups, in addition to the strong presence of aid and social justice organisations.

Acknowledge the role of the UN

A stronger relationship with the United Nations will ensure a more consultative and accountable process and outcomes. To advance this relationship, the UN General-Secretary should be given permanent observer status; he and his Sherpa should be engaged in all G20 meetings, including the preparatory ones.

The G20 is not a replacement for the UN on global issues. As a universal forum, the UN is the G194 and, as such, it must never be undermined by the G20. The UN is still the primary body for ensuring international co-operation and the maintenance of international peace and security. It has broadened its scope to include development and environmental protection in recognition of poverty, inequality and environmental damage – all of which are triggers for political instability. The G20 must do the same.

The G20 is not a replacement for the UN on global issues. As a universal forum, the UN is the G194 and, as such, it must never be undermined by the G20.

Climate Change

Hosting the G20 in Brisbane will bring world leaders face to face with many of these global challenges. They will see the Great Barrier Reef dying before their eyes. Confronted with the massive coal port expansion up and down the Queensland coast, the ever-expanding coal-seam-gas wells, the mining of enormous coal deposits in the Bowen and Galilee Basins and their massive increase in fugitive emissions, leaders cannot credibly escape the issue of fossil fuels and climate change.

Furthermore, the leaders of the G20 nations will be in close proximity to some of the least developed states in the Pacific, for whom a fairer trade and aid relationship is essential. Australia must ensure some of the smaller voices in our region are heard at the summit. It is normal practice for the G20 Chair to offer extra places to five countries. It would have made a powerful statement if Australia had invited Pacific nations, including those directly threatened by climate change such as Papua New Guinea, Tuvalu and Kiribati, to engage in the Summit process. But Australia has only invited Spain (permanent invitee); Myanmar, as the 2014 Chair of ASEAN; Senegal representing the New Partnership for Africa's Development, Singapore and New Zealand.

The UN has agreed to a legally-binding climate deal by 2015. The 2014 G20 must set a timetable of actions consistent with this proposed UN treaty by designing economic policies which will avoid dangerous climate change and reduce fossil fuel dependence. The G20 should focus its jobs and growth vision on these goals, while dealing with the underlying challenge of growing inequality that plagues our current models of economic growth and development.

In 2009, the G20 agreed to "phase out and rationalise over the medium term fossil fuel subsidies while providing targeted support for the poorest." Australia – with all other G20 nations -- agreed at the time to the Leaders Communique which recognised the economic and environmental inefficiency of fossil fuel subsidies.

There are great benefits in the G20 setting an over-arching, ambitious vision of a future decarbonised global economy and focusing on adequate financing of innovation and deployment of renewable energy, as well as adaptation to the present and future climate realities. Indeed, without this vision and commitment to the financing mechanisms to achieve it, many will rightly ask whether the G20 fulfils any useful role for the future.

In 2009, the G20 agreed to "phase out and rationalise over the medium term fossil fuel subsidies while providing targeted support for the poorest." Australia – with all other G20 nations -- agreed at the time to the Leaders Communique which recognised the economic and environmental inefficiency of fossil fuel subsidies. The agreement was made within the context of the Global Financial Crisis, and removal of subsidies made sense in the search for solutions to strengthen global economic growth.

Unfortunately, the promise turned out to be disingenuous and largely worthless. President Obama has the opportunity in Australia to drive it again.

The most compelling way the G20 nations and Australia can show leadership for a sustainable economy is to re-commit to the removal of all fossil fuel subsidies. This is a stark example of the G20's unfinished and important business. Let's work to restore this goal to its rightful place: the top of the agenda.

This exposes one of the weaknesses of the G20 – its lack of accountability for implementation of its decisions. While the G20 tasked the International Monetary Fund (and other institutions) with monitoring whether the economic policies a country takes are consistent with the "growth objectives" agreed to at G20 meetings, this accountability process doesn't apply to other policy areas. In an era of climate change and growing inequality, this process must be extended to the G20's other objectives, including climate and energy polices. A decision to move on this would be a major breakthrough, but which nation will lead and which NGOs and social movements will drive it?

Food Security

Australia also has an opportunity to show leadership at the G20 by seeking a thorough examination of the free market's failure to deliver food security in the face of extreme weather events and "land grabbing".

Traditionally, free trade in food has been viewed as a universal good, because the lack of local trading barriers helps to ensure that those in need of food receive it. In theory, dismantling government regulation and protection of domestic food systems would allow private ownership and capital to create more efficient, effective and equitable trade in food, helping end hunger and increasing the prosperity of farmers globally. As a result, both industrialised and developing nations abolished public grain reserves and floor prices, making global food security fundamentally reliant on market forces.

However, in practice, the theory has failed as most nations continue to subsidise their own industries and maintain trade barriers, entrenching market distortions rather than allowing fair trade. Furthermore, they now engage in land grabbing to outsource their own food production, creating a vicious cycle that undermines local food production. These dynamics have empowered multinational agribusinesses and necessitated that more countries import more food to deal with the local production gap. The Trans-Pacific Partnership (TPP) Free Trade Agreement is a case in point. Rather than entrench market failure by endorsing it, the G20 should seek to halt progress on this agreement pending a review of free trade, food security and climate change.

Australia should follow the lead of the UK and Canada and build on its Extractive Industries Transparency Initiative (EITI) and legislate a ban on facilitation payments by Australian companies.

Corruption

Globally, corruption, especially in resource extractive industries, remains a major concern for the Australian Greens. If we are to decouple economic growth from consumption of fossil fuels, environmental degradation and exploitation of people, G20 members need to halt corrupt practices.

In 2012, the Australian African Mining Industry Group argued for the ability to make so-called "facilitation payments" to secure approvals for mining projects in Africa. Effectively, they were arguing for sanctioned bribery and corruption. These arguments were made in the context of Canada strengthening its international anti-corruption legislation. The UK has similar anti-corruption laws. The Presidency of the G20 presents the Australian Government with an opportunity to take a stand and work with nations like Canada and the UK to end these insidious practices.

Wealthy nations and their corporations must act with the utmost integrity and transparency if we as a global community are to face the challenges of the future. Leadership in the context of the G20 means implementing anti-corruption processes at home and encouraging other nations to do likewise. Australia should follow the lead of the UK and Canada and build on its Extractive Industries Transparency Initiative (EITI) and legislate a ban on facilitation payments by Australian companies.

In 2014, Australia has the opportunity to help chart a better future for the world, one that places the goals of protecting the environment and caring for people at the heart of the global economic system. Whether it does so will depend on how much influence civil society and other countries can bring to bear on the Abbott government. No one should underestimate the recalcitrance of this government or its disregard for its global reputation. It would be ironic if the nation that so enthusiastically embraced the G20 should be central to its demise.
The G20 is currently a crisis management system for its own membership. If it is to survive and serve the world community, it must be more. The occasion of Australia's G20 Summit creates both a crisis and an opportunity for the country and the G20. Together, we can grasp the opportunity to make the Brisbane Summit the time and place where economics starts to serve society and the environment. This will make it possible to set the stage for a successful 2015 climate deal and constrain the scourge of climate change and its accompanying threats to food security, peace, health and biodiversity.

MUST READ

Using the Transatlantic Trade and Investment Partnership to Limit Fossil Fuel Subsidies?

Prepared for the European Greens Group by the Harrison Institute for Public

This paper starts with the damaging ripple effects of fossil fuel subsidies – their direct impact on greenhouse gas emissions and their indirect erosion of clean energy policies. It takes stock of the G20 initiative to eliminate subsidies and the one-sided outcome of World Trade Organization (WTO) agreements that apply to subsidies. (WTO members have challenged renewable subsidies, not fossil-fuel subsidies.) Then, it asks whether the Transatlantic Trade and Investment Partnership (TTIP) could be a vehicle to eliminate fossil fuel subsidies. The US-EU negotiations of TTIP were kicked off in June 2013 and could last for over two years.

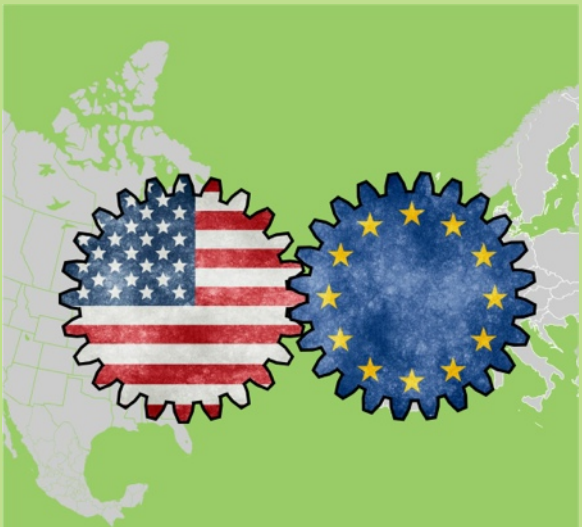
Fossil fuel subsides drive global warming. In 2012, worldwide fossil fuel consumption subsidies reached an estimated $544 billion. Fossil fuel production subsidies are estimated to add $100 billion per year. The Organization for Economic Cooperation and Development (OECD), which maintains an inventory of subsidies, estimates that eliminating fossil fuel consumption subsidies by 2020 would result in a 10% reduction in GHG emissions by 2050. Eliminating fossil fuel subsidies would curb global warming and produce economic, health, and environmental benefits. Expenditures on subsidies could be reallocated to renewable industries that create sustainable jobs.

In 2009, the G20 committed to "phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest;" the Asia-Pacific Economic Cooperation (APEC) Forum made a similar commitment.

The G20 appointed the International Energy Agency, the OECD, and other organizations to report on progress in phasing out subsidies. These reports were dutifully prepared. But, the G20 process has stalled. In fact, because of rising oil prices, things have gotten worse: global consumption subsidies more than doubled from 2009 to 2012.

In theory, trade rules could provide a powerful mechanism for reducing fossil fuel subsidies in a way that could avoid the shortcomings of the G20 initiative. The TTIP negotiations will include rules on "raw materials and energy." This could be an opportunity to develop a binding international framework including restrictions on fossil fuel subsidies, enforceable reporting requirements, exceptions for consumer energy subsidies for low-income groups, and protection for renewable energy and energy efficiency subsidies.

Optimism based on theory, however, must be tempered by evidence of political regression. For instance, the New York Times reports that, in the negotiations of the Trans-Pacific Partnership (TPP) – another mega-deal between the United States and 11 other Pacific Rim nations -- disputes could undo key global environmental protections. And early TTIP documents suggest that negotiators are focused on expanding access to fossil fuels, not constraining their use! It is unacceptable that the U.S., the EU, and the world community are maintaining fossil fuel subsidies which are both trade-distorting and environmentally damaging, while challenging subsidies for renewable energies. It will take a concerted effort to bend TTIP toward the proposed objective. Even if the negotiations collapse, TTIP debates will be a vehicle to promote a binding international agreement to limit fossil fuel subsidies.



The Think20 Advises the Australian G20 Presidency

By Alan S Alexandroff, Director of Online Research and the Global Summitry Project at the Munk School of Global Affairs at the University of Toronto

Courtesy by Think 20 (T20)

Quietly, maybe a touch too quietly, Australia assumed the hosting duties of the G20 on December 1, 2013. As one of the first initiatives under Australia's presidency, the current program director of the G20 Studies Centre at Australia's Lowy Institute, Mike Callaghan, a former finance official, convened a Think20 (T20) session in Sydney on December 11, 2013. As with previous G20 Presidencies in Russia and Mexico, representatives from G20-focused think tanks and academic centers gathered in the mercifully warm and sunny city of Sydney to hold a T20 meeting. As their "ticket" to attendance at the T20, Mike Callaghan asked each participant to send him a short article prior to the meeting, which would identify priorities and recommendations for the Sherpas to consider for the November 2014 G20 Leaders Summit in Brisbane. To enhance the role of the T20, Callaghan asked that articles focus on one of the 4 areas of greatest relevance to the G20:

•economic/finance process;
•trade liberalization;
•infrastructure; or
•development

Almost overnight, Mike assembled these short articles into a book and handed it to the Sherpas the day after the T20 gathering.

There is obvious catch-up needed by the government of Australia and its new Prime Minister Tony Abbott, who was elected last September. Just recently, the government issued its first statement, including its apparent priorities in "G20 2014: Overview of Australia's Presidency." And, the Prime Minister seems prepared to take the "bull by the horns."

There is obvious catch-up needed by the government of Australia and its new Prime Minister Tony Abbott, who was elected last September.

Abbott used the World Economic Forum meeting in Davos, Switzerland - the first visit of an Australian Prime Minister to this event since 2005 - to express the Australian priorities for the G20 Leaders Summit to a global audience. There, he underscored his, and his government's, determination to move forward on the global agenda. As he declared at Davos:

> *I want to make this very clear: as a trading nation Australia will make the most of its G20 presidency to promote free trade. This year's G20 must be more than a talk fest.*

At the moment, Australia describes a broad statement of aims -- stimulating growth and building global economic resilience – and some vague policy priorities.

Still, after examining his remarks, the concern remains that Australia, like previous G20 hosts, will be driven to build a 'choc-a-bloc' agenda of priorities. If it does so, Australia would find that the G20-speak `final declaration' with its overly abundant menu of recommendations would drown out the key priority policies, as was the case with previous declarations.

So where are we at this early stage of agenda setting? At the moment, Australia describes a broad statement of aims -- stimulating growth and building global economic resilience – and some vague policy priorities. And the Prime Minister still seems to express an overtly ideological edge, as if he remains in electoral combat in Australia:

> *The lesson of recent history is that real progress is always built on clear fundamentals. You can't spend what you haven't got; no country has ever taxed or subsidized its way to prosperity; you don't address debt and deficit with yet more debt*

and deficit; and profit is not a dirty word because success in business is something to be proud of.

While "debt and deficit" may not fight "debt and deficit," they may be critical elements of one of his significant priorities: infrastructure.

Where will Australia achieve consensus and collaboration in the 2014 Summit's 'Brisbane Action Plan'? What are the possible specific policy initiatives that will grow the global economy and advance "strong, sustainable and balanced growth" – the mantra of the G20 since the 2009 Pittsburgh Summit?

Australia's Prime Minister gave some indication of such initiatives at Davos:

The G20 exists to deal with matters that are beyond the capacity of nation states to deal with individually on their own. Our agenda will focus on those issues where co-ordinated international action can add value: ***trade, infrastructure, taxation and banking****. [Emphasis added.]*

And these priorities have a significant overlap with those of the T20 – lifting global economic growth, infrastructure and trade and tax policy [especially base erosion and profit shifting (BEPS) or tax avoidance]. The T20 also identified the IMF-led Mutual Assessment Process (MAP) as necessary to foster accountability to the G20's policy commitments in the Framework for Strong, Sustainable and Balanced Growth, including the evaluation of internal and external balances and development. But, it seems that the Prime Minister and Australian officials may not have identified these issues as priorities.

With the MAP, we are once again in "G20-land." Its peer-review of G20's policies (e.g., macroeconomic imbalances, structural reform, product and labor market reforms, exchange rate flexibility) was important in the earlier G20 summits. Since then, some of the most serious imbalances (e.g., US deficits and Chinese surpluses) have apparently faded, at least publicly. Even the controversy that has swirled around the US Federal Reserve's loose monetary policy, seems to have died down, although it has remained a public worry for several, though not all, rising economic powers.

At the recently concluded WEF meeting, IMF Managing Director Christine Lagarde raised fears for the global economy of the withdrawal of the Federal Reserve's buying program: "This is a new risk on the horizon and really needs to be watched..." Historically, macroeconomic policy coordination has proven to be notoriously difficult to manage and, today, this is still the case.

While the goal of infrastructure investment is embraced by both the Australian G20 Presidency and the T20, there is little agreement on how implementation will proceed at the national level (e.g., funded by the public or private sector or some combination of the two).

While the goal of infrastructure investment is embraced by both the Australian G20 Presidency and the T20, there is little agreement on how implementation will proceed at the national level (e.g., funded by the public or private sector or some combination of the two). We may need "shovels in the ground" types of infrastructure, but for many countries, the provision of health care, education or old age support may be more critical.

As for trade, it remains an ever-identified G20 policy, especially, through the G20's on-going "standstill" provision that prohibits protectionism. But, as the Prime Minister pointed out at Davos:

Protectionism has not been a big threat but we have to remain vigilant. Eighty percent of the restrictive measures announced since the crisis are still in place. We need to accelerate the phasing out of these measures.

Mike Callaghan has suggested that the leaders need to address those protectionist measures that distort trade, but are not necessarily a WTO violation – such as state aid for bail-outs.

Many claim that the success of the December 2013 WTO Ministerial in Bali renews hope for completion of the Doha Round. The success at Bali, the first breakthrough in WTO negotiations in twenty years, took steps to streamline trade, sustain food security stocks for now, and encourage least-developed countries' trade and development. The success should be applauded but, in reality, it is a small advance.

And as the WTO Director General Roberto Azevêdo has pointed out, again at Davos, most of the contention at the negotiation involved six or seven countries. As he suggested, "If you can figure it out in that core group most of the impasse will be gone." Azevêdo is right: the contention at the WTO negotiations as well as those about "murky protectionism" is between and among several countries, all of which are G20 members.

Some have argued that the G20 should leave development to other forums, but the T20 believes that development needs to be 'mainstreamed' in the G20 growth agenda. Even if the G20 does not embrace a strong development agenda, it needs to get serious about financing climate change mitigation and adaptation.

Finally, what about development? Efforts to propel development forward – most notably by Korea at the 2010 Seoul Summit - have faltered due to factors such as an overly complicated 'Seoul Development Consensus.' Some have argued that the G20 should leave development to other forums, but the T20 believes that development needs to be 'mainstreamed' in the G20 growth agenda. Even if the G20 does not embrace a strong development agenda, it needs to get serious about financing climate change mitigation and adaptation.

In his summary of the December T20 meeting, Mike Callaghan recommended that G20 leaders get involved in the preparation of reports for Brisbane on specific topics, such as: food safety and security, financial inclusion, infrastructure and domestic resource mobilization. The T20 also identified the importance of advancing the BEPS process, especially with developing countries. BEPS could be a major source of additional financial resources for developing countries.

Australia is one of the 'New' Middle Powers in the [MIKTA] (Mexico, Indonesia, Korea, Turkey, and Australia), which has exhibited a real interest in bridging differences and encouraging collaboration among the G20.

Many of us have looked forward to Australia taking the helm of the G20. Australia is one of the 'New' Middle Powers in the MIKTA (Mexico, Indonesia, Korea, Turkey, and Australia), which has exhibited a real interest in bridging differences and encouraging collaboration among the G20.

The Australians have dedicated and professional financial officials. As noted above, our Think20 convener Mike Callaghan has spent decades in the economic and international policy area and appears deeply committed to making progress while Australia is at the helm. Australia's Sherpa, Dr. Heather Smith also seems committed to proving the value of Australia's leadership. And as PM Abbott stated:

I look forward to hosting world leaders in the beautiful riverside city of Brisbane in November 2014. The G20 will be the most important meeting of world leaders Australia has ever hosted. I want it to make a lasting difference.

Australia should cut back on its priorities and take leadership in focusing on a few that are fleshed out as granular, "nuts and bolts" initiatives, such as those related to:

- *Macroeconomics*. If macroeconomic coordination remains an important element of economic growth, improve the Mutual Assessment Process through more effective and publicly transparent peer-review mechanisms. Also, connect macroeconomic progress with reform and stability of the financial sector;
- *Taxation.* Advance the implementation of the BEPS by requiring a greater degree of national tax coordination and improving global tax revenues, generally, and those of developing countries, in particular. These initiatives could contribute to financing policy priorities, such as infrastructure.
- *Trade.* Bring the trade and finance ministers together to tackle trade protectionism. The problem lies in the G20 domain, not elsewhere.
- *Infrastructure.* Keep the collective G20 eye-on-the-ball of infrastructure. All the fancy efforts to mobilize financing for public-private partnerships may sound inviting and give the appearance of not adding to the deficit, but public provision of infrastructure is still an effective means to deliver not only bridges and roads, but also clean water provision, education and health care services. Importantly, it is less expensive for the public sector than the private sector to raise capital for infrastructure, but performance is a problem for both governments and firms.
- *MDB Performance.* The potential of the multilateral development banks (MDBs) needs to be assessed, particularly since they can be a source of concessional capital. The G20 could call for a report on their performance, including their capacity to successfully provide infrastructure. Where they fall short, then the MDBs should be reformed or else borrowing countries should use alternative mechanisms for financing projects. And an examination of 'best practices' or "worst practices" (e.g., the "white elephant" syndrome of national provision of infrastructure) could inform infrastructure policy.

Let us hope that Australia turns its substantial energies and proven capabilities to making Brisbane a great success. There is much that Australia can do to grasp the reins of leadership and achieve real progress at the global summitry level.
Don't fritter the opportunity away. Are you listening Australia?

An earlier version of this article appeared at his blog, Rising BRICSAM. The blog and research are all part of the work of the Global Summitry Project.

Are you listening Australia?

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MUST READ

Think20 Papers 2014: Policy Recommendations for the Brisbane G20 Summit, published by the Lowy Institute (2013)

The Think20 (T20) comprises representatives of think tanks or academics from the G20 countries who seek to influence the G20's decisions. This document compiles 30 articles prepared by T20 members for their December 2013 meeting in Australia.

Mike Callaghan, (Lowy Institute), the host of the T20, summarizes the recommendations of the T20 and emphasizes that: 1) The G20's Framework for Strong, Sustainable and Balanced Growth should represent a cooperative strategy to strengthen global growth and create jobs by boosting private demand through structural reforms; 2) Trade policies should govern global value chains, which are driving international trade, facilitated by technology and internet transactions. 3) The G20 should address "base erosion and profit shifting" which enables corporations to elude taxation.

Economics/Finance. These articles focus on topics such as: implementing an early warning system; strengthening financial safety nets; and improving the peer review of G20 members' policies (through the Mutual Assessment Process). Colin Bradford (The Brookings Institution) says that the G20 has a "blind spot" because the IMF does not meaningfully report to it on financial assessments (and systemic risks). This should be remedied.

Accountability. Susan Harris Rimmer of Australian National University (ANU) explores how to boost the G20's accountability, particularly through a strong and strategic outreach to various constituencies.

Financing for infrastructure. David Vines (U. of Oxford, ANU) identifies the ways that fiscal austerity is impeding global recovery and suggests that infrastructure investment could increase global demand and partly offset such austerity. **Chijioke Oji and Catherine Grant Makokera** (SAIIA) describe the Program for Infrastructure Development in Africa (PIDA), identify barriers to investment in mega-projects, such as the Inga III dam, and suggest financing modalities that could help overcome these. **Daniela Strube** (Lowy Institute) outlines a 7-point plan for infrastructure financing, including the development of local currency bond markets and long-term investment funds. **Maria Monica Wihardja** (World Bank, Jakarta) emphasizes the role of regional bond market initiatives, among other things. **Robert Bianchi and Michael Drew** identify the constraints to infrastructure financing, such as: ways that public debt levels hamper the state´s ability to issue new bonds; new (Basel III) banking regulations that constrain investment by banks; and risks (e.g., illiquid infrastructure assets; lack of revenue flows during long-term construction periods; problematic public–private partnerships (PPPs); and risk aversion of institutional investors, such as pension funds, until late in project cycles.) They suggest solutions to these problems.

Trade. Numerous articles suggest how to address the stalemate in the WTO's Doha Round negotiations and the flourishing of "mega-regional" trade and investment agreements. The G20 is expected create a wider role for the WTO in reviewing and developing standards for these mega-agreements as well as in negotiating investment rules.

Lonely issues. Very few articles address the need for climate finance and none address the G20's lapsed commitment to eliminating fossil fuel subsidies (which could generate climate finance). One brave author **Lucas Chancel** (Institute for Sustainable Development and International Relations) observes the trend in declining economic growth, exacerbated by the possible impacts of energy resource scarcity or emission reduction. He asks whether countries can "prosper without growth," particularly since low-growth deepens income inequality.

The BRICS: The Struggle for Global Hegemony in a Multi-Polar World

By Graciela Rodriguez, Coordinator of the Brazilian Instituto EQUIT and the "Empowering CSO Networks in BRICS countries in an Unequal Multipolar World" Project; Member of the Coordinating Team of REBRIP – Brazilian Network for the Integration of the People


Source www.postwesternworld.com

Many authors have sought to understand and express the strategic significance of the BRICS – namely, Brazil, Russia, India, China, and, more recently, South Africa. At the first BRICS Summit in 2009, there were urgent calls for regulation of the global financial system. The summit process generated certain expectations that the BRICS would tame the global "casino" of speculative activity that contributed to the crisis. Since then, however, there has been very little progress in terms of regulating the financial system due, in part, to various contradictions within the bloc. In fact, since their incorporation into the G20, the BRICS member states have focused more on increasing their own participation in the global system than changing the system and delivering on commitments that they announced with great fanfare in 2009.

In spite of having made only a few advances, the BRICS continue to negotiate and build the collaborative links and programs within their bloc. In 2014, they will gather at the 6th BRICS Summit, which is likely to be held in July in Fortaleza, Brazil. There, they will have the challenge of moving ahead with the creation of the BRICS Development Bank and the Contingency Reserve Arrangement (CRA) – two important processes currently under negotiation; the agenda for addressing the roots of the global crisis does not yet appear to have gained traction, despite the obvious urgency.

> **Since their incorporation into the G20, the BRICS member states have focused more on increasing their own participation in the global system than changing the system and delivering on commitments that they announced with great fanfare in 2009.**

This crisis, which initially brought the BRICS countries closer together, demonstrated the severe and profoundly systemic nature of the financial collapse. Even though crises are cyclical elements of capitalism (part of its very essence), this particular crisis showed the magnitude of the problem of over-accumulation in the capitalist/neoliberal model of production, which now overlaps with the environmental crisis. The expansion of globalization and its neoliberal project has weakened the power of nation-states and reduced their capacity to overcome cyclical crises by dismantling safety nets and other mechanisms.

While many commentators emphasize the differences among the BRICS, there are also similarities. For instance, when the crisis exploded in 2008, the BRICS were among the countries that were best positioned to tackle the crisis in their domestic spheres, largely due to the fact that they had preserved the capacity and controls to manage their economic, financial and monetary policies. In contrast, a large number of globalized countries have been weakened by relinquishing such controls. The policies of the BRICS enabled most of them to confront the financial crisis with policies that supported higher levels of consumption, redistribution, and social spending, which helped to keep their economies afloat and minimize the pain inflicted on the citizenry.

> **This particular crisis showed the magnitude of the problem of over-accumulation in the capitalist/neoliberal model of production, which now overlaps with the environmental crisis.**

The control that BRICS countries continue to hold over the apparatus of the state can be attributed to political models and historical circumstances that vary greatly from one country to another. The models vary from the hegemonic visions of communist or left-wing parties that wagered on maintaining a strong role for the state in their economies to situations where the national elite agreed on a regulatory role for post-colonial states, including broad power-sharing by a range of political parties in order to mitigate profound class conflicts, as in the case of India or South Africa. Such control over state power and especially over public or renationalized state enterprises does not necessarily mean that these enterprises escape the logic of neoliberalism. To the contrary: in some cases, state-owned enterprises can strengthen neoliberalism; however, the role they can play in guiding and regulating the market merits a separate analysis[1].

The reconfiguration of the G7 to form the G20 recognizes that decisions about the new financial architecture and the exercise of global power can no longer be made without the emerging countries, especially China.

The crisis gave rise to a new international geopolitical context which can no longer be explained using the "center-periphery" model. Instead, we see a new model in which emerging countries (formerly at the periphery) began to occupy an uncommonly pivotal role in the efforts to find solutions. In reality, the reconfiguration of the G7 to form the G20 recognizes that decisions about the new financial architecture and the exercise of global power can no longer be made without the emerging countries, especially China. In fact, it was the BRICS members that salvaged the IMF's financial structure and restored its power, and even its legitimacy, by injecting a significant amount of their resources into its reserves.

Current geopolitical changes and the competition for global hegemony do not imply that we are witnessing a "paradigm change" or a profound transformation of the global capitalist system. It does not even mean that the current reforms are necessarily "progressive". Even so, these changes can be interpreted as steps towards overcoming uni-polarity and the beginnings of a multi-polar global governance system.

The BRICS have emphasized the importance of the role of the state in regulating the system. This is a key dimension in the current dispute for world hegemony.

The BRICS have emphasized the importance of the role of the state in regulating the system. This is a key dimension in the current dispute for world hegemony. We have before us a scenario where, on one side, we find the driving forces behind the neoliberal model, which remain committed fully to liberalizing trade and the flow of transnational capital. As promoters of the so-called "Washington Consensus" they enforce a diminished state role through the array of economic and institutional prescriptions and loan conditions of the international financial institutions, the World Trade Organization (WTO) and the web of free trade agreements that are proliferating around the world[2]. On the other side, we find sectors of global capitalism insisting on some kind of state control and regulation over financial flows, a new global economic/financial architecture, and even moderation in the processes of social polarization and the concentration of global wealth.

For a few years, this debate has been culminating in a dispute for hegemony, which has been intensified by the arrival of the BRICS. The project of the elites of major transnational corporations to form a seamless global market is now being confronted by more moderate actors from the establishment (e.g., Stiglitz, Sachs, Krugman) that defend a neo-Keynesian vision of solutions for the global crisis. These moderates are joined by the BRICS, who have taken ownership of this debate and insist on a substantive state presence and role.

Several other actors challenge the logic of imposing globalization at all cost and bowing to the interests of corporations and the speculative markets. They represent the "third way" (beyond state and market), which seeks to resolve so-called "market failures" and guarantee the stability of the global system. Yet, despite the system's obvious loss of legitimacy and hegemony, these actors fail to introduce significant reforms.

According to Robinson, these "third way" reformists

do not transgress the essential premises for the liberalization of the world market or the freedom of transnational capital, nor do they propose reforms that imply redistribution or State control of capital's prerogatives. Yet a choir of voices from the transnational elite is calling for a broader global regulatory framework that could stabilize the financial system and attenuate some of most acute contradictions of global capitalism in the interest of ensuring the system's political stability.[3]

For these reformists, the state should create an environment that is favorable towards capital without challenging its rights and prerogatives.

Thus, for these reformists, the state should create an environment that is favorable towards capital without challenging its rights and prerogatives. The interventions of the state would be based on appropriate regulations and involve oversight and supervision of the global financial system. Some even see the state as having responsibilities in the area of social welfare and the promotion of global public goods.

Faced with neoliberal orthodoxy, these dissident voices calling for reforms of the Washington Consensus are aware that the neoliberal project began to suffer a legitimacy crisis at the end of the 20th century, especially with the protests at the 1999 WTO Ministerial in Seattle and the emergence of the "anti-globalization movement", as it was then called. For these reasons, reformists are seeking to preserve the current configuration of global hegemony by "giving globalization a human face".

BRICS members appear to be aligned in their quest for some form of regulation of the global system, especially of the global financial system. Their efforts appear to be directed towards replacing the orthodox neoliberal model with a state-led economic system.

Despite their weaknesses and vacillations, the BRICS have been strengthening the voices of critical actors. In fact, since the bloc's appearance and in spite of enormous differences and difficulties in reaching consensus, BRICS members appear to be aligned in their quest for some form of regulation of the global system, especially of the global financial system. Their efforts appear to be directed towards replacing the orthodox neoliberal model with a state-led economic system; some of them would contribute to the democratization of global civil society, although this is not an explicit objective of the group. In reality, all BRICS countries need some form of social democratization that allows them to advance on the path towards overcoming poverty and inequalities, which have become powerful obstacles for their own development. In recent decades, we have seen that many of the policies required to overcome these obstacles are not compatible with neoliberal prescriptions.

It is important to understand the roles that the BRICS could assume in a transition to a multi-polar world. For instance, they could mobilize sectors that still submit to the dominant logic, thereby broadening counter-hegemonic resistance to the neoliberal model and formulating new approaches to "development" in the Global South. This is why it is important for social movements in the BRICS countries to pressure their governments to confront the current hegemonic model, even if their governments have not been very proactive since 2009–2011, when they first took small steps forward.

Among the tasks the BRICS have taken on, their priorities are the creation of the BRICS Bank and the Contingency Reserve Arrangement (CRA). Both mechanisms have been approved and are in the process of being implemented; both are relevant on the international scene, even though they are being designed to conform to the traditional international financial institutions which came under criticism from the BRICS themselves not so long ago.

The BRICS Bank, the CRA, and the interesting possibility of conducting trade among the BRICS in national currencies[4] all aim to protect countries in the bloc from external vulnerability and, on a broader level, provide protection for developing countries against the cyclical crises of transnational and financial capital. Moreover, they have the possibility of promoting "proactive development strategies."[5]

Among the tasks the BRICS have taken on, their priorities are the creation of the BRICS Bank and the Contingency Reserve Arrangement (CRA). Both mechanisms have been approved and are in the process of being implemented.

Yet, disappointment with the BRICS' role has grown significantly and it is becoming harder to envisage the possibility of the bloc playing an active, positive role. Even so, despite all of the weaknesses and profound political and economic contradictions within the BRICS, we must consider their strategic importance on the international level. Civil society must pressure them to assume an active, transformational role and force actors, including the G20, to strengthen financial regulation and the implementation of rules on capital controls and taxation, and especially those on profit remittances of major transnational corporations.

We still witness the hegemony of Western nations and transnational corporations, but their hold on power is slipping. That is, we can detect schisms and fractures in the formerly unyielding neoliberal order. The BRICS countries should work to deepen these fractures and abandon conciliatory stances towards the G7. At the next BRICS Summit in Fortaleza, Brazil, they will have another opportunity to strengthen their common position in order to create a different global economic order.

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[1] Author's note: While the role of the state in itself and its democratic functioning merit a very broad and profound critical analysis, which will not be addressed in this article, criticisms of the state have recently been reinforced in light of the generalized corruption in various countries, the lack of responses from the political elite to broad popular mobilizations around the world, and the criminalization and state repression of social struggles.

[2] Many of these agreements (Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), etc.) are being configured with a logic that is almost "anti-China".

[3] Our translation. Robinson, W. "Una teoría sobre el capitalismo global: Producción, clases y Estado en un mundo transnacional". Ediciones Desde abajo. Bogotá, D.C., Columbia. June 2007.

[4] In the way of a substantive expansion of commercial exchange.

[5] Mineiro, A. "Os BRICS e a participação social sob a perspectiva de organizações da Sociedade Civil" Pág 29. INESC/REBRIP. Brasil. 2013

Missing Political Will? Brazil's Leadership of the 2014 BRICS Summit

By Oliver Stuenkel, Assistant Professor of International Relations, Getulio Vargas Foundation, São Paulo, Brazil

In July, Brazil will organize the 6th BRICS Summit in Fortaleza. Since the host has the right to set the agenda, Brazil has a unique chance to give the Summit its own imprint – and thus engage the leaders of China, India, Russia and South Africa on one or several topics of its choosing. This is a tremendous opportunity for Brazil. Yet the public is likely to remain skeptical of the usefulness of the BRICS concept, particularly as growth in the Global South has slowed markedly. Moreover, President Dilma Rousseff never really warmed to the idea of the BRICS and her foreign policy team faces a tough challenge: to maintain momentum and show that Brazil benefits from being part of the group. In the midst of all the gloom, the BRICS will launch the BRICS Development Bank, marking the most important step towards institutionalization in its young history.

This development is highly significant; it is the first step towards institutionalizing the collaboration of the BRICS, fundamentally altering its characteristics of a non-binding, informal, consultative group. While most details about the Bank still need to be resolved, it is clear that operating such an institution will require the BRICS to agree on a set of guiding rules and norms. It will provide a unique opportunity to develop new development paradigms and, perhaps, start a real conversation between established lenders and rising powers about the future of development. The BRICS Bank could also be an important motor for change within established institutions such as the World Bank. Interestingly, the World Bank intends to create a Global Infrastructure Facility (GIF) this year, perhaps out of a sense of competition with the BRICS.

Yet progress in setting up the BRICS Bank since the 5th BRICS Summit (in Durban, South Africa in March 2013) has been painfully slow. When asked about the new bank, diplomats in Brasília, Pretoria and Delhi keep pointing out the difficulty of setting up a multilateral development bank. Coordinating such a process between five countries is indeed a challenge - but that cannot mask the fact that true political will from the top may be missing at this point. Currently, Brazil's foreign ministry is coming to grips with budget cuts after years of expansion. And, importantly, Dilma Rousseff seems more intent on consolidating Brazilian foreign policy rather than engaging in new, costly initiatives, such as the BRICS Bank.

MUST READ

Views from India on the BRICS

"The Global Economic Chessboard and the Role of the BRICS: Brazil, Russia, India, China, and South Africa" by Jayati Ghosh, "Third World Resurgence," No. 274 and "Global Research," November 10, 2013 . Ghosh describes how the BRICS countries began to see themselves as a group largely because of foreign investor and media perceptions. The BRICS have a population of 3 billion, with a total estimated GDP of nearly $14 trillion and around $4 trillion of foreign exchange reserves. She describes common challenges faced by the BRICS, such as the continuing global crisis and the economic stagnation of many Northern economies, which still dominate as export destinations. Therefore, in response to the domino effect of declining Northern markets, the BRICS need to enhance diversification in exports and bilateral currency trade.

Ghosh also describes the challenge of income and asset inequality, which is reflected in inadequate productive employment generation and the lack of access to basic social services and utilities.

She concludes with two important questions: Do the BRICS (or the G20) ignore or substitute for the views of the G77 or larger bodies of developing countries which lack clout in international policy discourse? Are the BRICS countries replicating the patterns of North-South interaction (for instance, where the North keeps the monopoly of high-value-added production) or are they working with the Global South to create decent jobs, diversify production, and expand ecologically viable development activities?

MUST READ

A long-term vision for BRICS, Submission to the 2013 Academic Forum
By the Observer Research Foundation, India

In 2009, a BRICS Academic Forum was created to gather experts from the five member countries to guide the BRICS leaders. In 2013, the Forum created the BRICS Think Tanks Council (BTTC), comprising the following five official think tanks to lead the academic research in each member country:

BRAZIL: Institute for Applied Economic Research (IPEA)
RUSSIA: National Committee for BRICS Research (NRC/BRICS)
INDIA: Observer Research Foundation (ORF)
CHINA: China Centre for Contemporary World Studies (CCCWS)
SOUTH AFRICA: Human Sciences Research Council (HSRC)

Each year, the think tank of the Summit's host country convenes the BRICS Academic Forum, an intra-BRICS cooperation event that takes place prior to the Leaders Summit. The Academic Forum brings together academics and policy experts from a wide array of institutions from the BRICS countries.

In 2012, since India was the Summit host, ORF, the official Indian Think Tank wrote "A Long Term Vision for BRICS," which envisions a long-term cooperation strategy for the BRICS and summarizes the discussions and conclusions generated at the Summit that year. The document was submitted to BTTC to be discussed and finalized during and after the South African Summit and Forum in 2013.

The report is divided into five chapters. The fourth chapter dealing with the creation of the BRICS Development Bank is significant, because India has appointed ORF to draft a design for the BRICS Bank during 2014. In this document, the authors envision a 'one country, one vote' system with consensus-based decision-making. They also propose raising capital from other developing countries as minority equity holders as well as having convertible assets, such as gold and silver, as guarantees in the event of currency appreciation. Lastly, they see the possibility of issuing debt for sustainable infrastructure – using the model of the World Bank's Green Bonds.
The first chapter analyzes common challenges of the group and concludes that a more formal, institutionalized alliance will not be a reality anytime soon. The topics analyzed include: social mobility, poverty and inequality, skills, healthcare and urbanization.

In the second chapter entitled "Growing Economies, Sharing Prosperity" the report calls for diversifying currency reserves; promoting a BRICS Business Council; deepening capital markets (through, for instance, participation of insurance companies) to expand investment in sectors, such as infrastructure, social services, mining and power generation (including nuclear energy).

The third chapter calls for a major overhaul of global political and economic governance institutions. The first priority is to update the IMF quota formula of voting rights. Another priority is to foster closer cooperation among BRICS financial regulatory and supervisory authorities, i.e., setting up a Financial Markets Board to act as a formal supervisory authority. A third priority promotes the strengthening of domestic bond markets, financial inclusion, and financial literacy.

The fifth chapter provides "Other Possible Options for Cooperation". Special attention is drawn to technology sharing and innovation, primarily in aeronautics and outer space research, high-speed vehicles and exploration of mineral resources. Within cultural exchange mechanisms, the report suggests that BRICS leaders should work intensely on streamlining mutual accreditation of workers, expanding tourism, expediting visa processes and boosting inter-parliamentary cooperation.

"Club Governance"
Prospects for civil society engagement
A Perspective from Russia

By Vitaliy Kartamyshev, Co-Chair of GCAP Russia
President, Foundation 'Coalition Against Poverty'

In these challenging economic times, we should measure the effectiveness of any supranational "club governance" structure by its capacity to come up with concrete, practical policy recommendations and ensure their successful implementation. Decades of global economic expansion known as the "Great Moderation" contributed to significant improvement in living standards for millions of people. However, it also demonstrated that economic growth alone without a targeted poverty alleviation policy failed to produce the "trickle-down" effect for many more millions trapped in poverty.

Even during economic expansions, the gap between rich and poor has continued to grow until, currently, only 0.5% of the population controls nearly 35% of global wealth.

Even during economic expansions, the gap between rich and poor has continued to grow until, currently, only 0.5% of the population controls nearly 35% of global wealth. The growth narrative of supranational "club gatherings," such as G20 or BRICS, must integrate the issue of financing for development-- including improving education, health care, employment creation, support to small and medium-sized enterprises (SMEs) and agricultural production. This should be obvious to political leaders and policy-makers. Especially from the perspective of Russia, this article analyses the role of the BRICS in fostering results-oriented policies that will lead to positive development outcomes as well as the opportunities and challenges for civil society engagement in fora, such as the BRICS.

BRICS Analysis: Global Forum for alternative power politics or partnership of necessity?

The BRIC (Brazil-Russia-India-China) Forum was a political and economic formation that had its first official meeting in 2009 after the global financial crisis erupted. Shortly thereafter, South Africa joined. It was the desire of the 5 emerging countries to have joint positions on policy decisions affecting them, specifically in the management of financial systems. The political and economic clout of such an 'elite club' was evident, as their combined economic output over the past 15 years contributed so significantly to global growth. Arguably, such unprecedented growth alongside the relative decline of the G7 marked the biggest economic shift in history. Although China has been the engine for much of this growth, the BRICS, as a whole, have prospered until recently.

Arguably, such unprecedented growth alongside the relative decline of the G7 marked the biggest economic shift in history. Although China has been the engine for much of this growth, the BRICS, as a whole, have prospered until recently.

Along with their upward economic trajectory, the world witnessed the new political assertiveness of the 5 nations which insisted on the reform of governance quotas at IMF and World Bank and presented their combined positions and demands in international forums, such as the G20, the UN, and the UN Framework Convention on Climate

Change (UNFCCC). The influence of the BRICS is underpinned by the fact that all 5 nations are important regional powers with access to numerous different regional groupings (CIS, APEC, African Union, CSTO, UNASUR, SADC, Asian Association for Regional Cooperation, Mercosur and others)[1]. Clearly, the BRICS jointly can exercise strong influence through these regional bodies, as long as their positions and priorities are in sync, which gives them a strong advantage over other 'clubs'.

In 2012, the BRICS produced about 20% of the $71.6 trillion world output. But, the slowdown of the economic giants is striking.

In 2012, the BRICS produced about 20% of the $71.6 trillion world output. But, the slowdown of the economic giants is striking. (See chart, below.) While the 2013 growth rates are still impressive when compared with sluggish (or negative) growth performance in Europe and other OECD countries, the contribution of the BRICS to world output, the internal drivers of growth, and external factors, such as high commodity prices, is diminishing.

BRICS Economies are Braking

	2007	2013*
Brazil	6.1%	2.5%
Russia	8.5%	1.5%
India	10.1%	3.8%
China	14.2%	7.6%
South Africa	5.2%	2.0%

*Sources: IMF, "World Economic Outlook, 2013," October 2013 and The Economist, "When giants slow down" July 27, 2013.

Prospects for positive global influence or pure business?

One key factor that distinguishes the BRICS from other supranational groups is that, despite some economic similarities and catch-up strategies, the member countries are fundamentally very different. In contrast, the countries of the OECD, EU, and G8 share a set of values, principles and approaches that, at least in theory, guide their development programs. They have adopted accountability mechanisms at different international forums (e.g., the Paris Declaration on Aid Effectiveness and the subsequent Accra Agenda for Action as well as the Busan Global Partnership for Effective Development Cooperation). These agreements took a long time to evolve and adopt and are now the foundation for policy implementation in many areas. It is no secret that BRICS and other regional formations have emerged as global economic alternatives to western-dominated institutions and principles that, in the wake of multiple crises, have suffered sharp criticism. Such alternatives are a source of optimism for supporters of the BRICS.

The development policy of the BRICS defies the traditional principles (e.g., those of the Development Assistance Committee of the OECD) and has fewer scruples about the norms (e.g., human rights, democracy, gender and ethnic minorities) in countries that receive their aid or investment resources.

Nevertheless, to be successful, the BRICS will need some degree of commonality of approaches, principles and values. In particular, the development policy of the BRICS defies the traditional principles (e.g., those of the Development Assistance Committee of the OECD) and has fewer scruples about the norms (e.g., human rights, democracy, gender and ethnic minorities) in countries that receive their aid or investment resources. Perhaps to a greater extent than Western countries, the source of the BRICS' development policy and priorities resides more in their domestic experiences, corporate structures, and prospects for access to markets and natural resources. Their approach is evidently acceptable to developing and low-income countries. However, if BRICS are to evolve into responsible donors, it is imperative that they agree to guiding principles and a common mechanism for accountability for clear and quantifiable results. The BRICS guiding principles should ensure that they do not uphold political regimes that impoverish communities, exploit natural resources, and undermine the development prospects of recipient countries.

Will the BRICS be able to affect a fundamental shift in power relations? The answer to this question depends on whether they can resist the temptation to play to their short-term advantages and be co-opted by the G7 countries. It also depends on whether the 5 emerging nations succeed in building a larger and more influential bloc.

It is clear that the BRICS, as a group, are emerging to challenge the influence and institutions of the G7. Until recently, developing countries have had a limited capacity for influencing global affairs and the management of the international financial system. In the post-World War II era, the Bretton Woods Institutions (i.e., the IMF and World Bank) were built to ensure the supremacy of the U.S., Europe and Japan. Global decision-making can no longer rest with traditional powers in today's multi-polar world. Will the BRICS be able to affect a fundamental shift in power relations? The answer to this question depends on whether they can resist the temptation to play to their short-term advantages and be co-opted by the G7 countries. It also depends on whether the 5 emerging nations succeed in building a larger and more influential bloc, including other G20 members such as Argentina, Turkey, Mexico, and Saudi Arabia.

The BRICS could be important for other reasons as well. The emergence of an alternative leadership can foster enhanced regional and global opportunities for South-South collaboration, trade, development and security.

The sceptics point out that, in the absence of a clear set of principles that guide the aid and investment policy, the BRICS could pose a challenge to development and human rights in developing countries. The current enthusiasm of political leaders in developing countries for dealing with new donors may result from their aversion to the stringent rules and regulations of Western donors concerning democracy and human rights. However, these rules should not be thrown out the window. Civil society should help shape the new terms of engagement, resources and opportunities that could otherwise be seized by business and political elites in developing countries. Arguably, the BRICS risk losing their credibility and enthusiasm for power-sharing if they don't behave as responsible donors. There is growing evidence reported by the "BRICS-from-below" movement that business practices and resource grabbing by corporations and donors from BRICS countries damage the environment and economic prospects for communities in poor and developing countries.
Global civil society's role can be crucial in monitoring and calling for transparent and inclusive development, aid and trade policies.

Opportunities for civil society engagement

Speaking at the June 2013 Civil 20 Summit in Moscow, Alexei Kudrin, former Russian Finance Minister, highlighted the Russian public's lack of an interface with its government and the fact that civil society can play a crucial role in this regard. The major problem with the "club governance" model is that decisions reached by the leaders of the BRICS, G20, G8 and other forums are poorly understood by the populations of these countries and, more fundamentally, citizens lack a democratic role in shaping these decisions.

> **As a global player, member of the G20 and BRICS, and President of the G8, it pursues an increasingly active international role, including in the area of development aid. However, Russian citizens have a low level of understanding and support for this policy.**

Arguably, the level of awareness of journalists and civil society activists is quite low as well. The number of civil society activists in Russia who can meaningfully participate in policy dialogue (let alone explain the issues to the public) is counted in less than hundreds in a country with a population of more than 140 million.

Establishing links from National to Global Processes

Any government aspiring to a global role needs to have a strong domestic constituency that can support its international aspirations, in general, and its development aid and investment policies, specifically. For historical reasons, Russia inherited inward-looking policy-making that extended to countries in the Commonwealth of Independent States (CIS) or countries in the so-called 'socialist' camp. Presently, the Russian government faces a dilemma. As a global player, member of the G20 and BRICS, and President of the G8, it pursues an increasingly active international role, including in the area of development aid. However, Russian citizens have a low level of understanding and support for this policy. They need to address the disconnect between global and national decision-making.

Nevertheless, many groups are establishing an international BRICS advocacy network and looking for Russian partners. The emergence of this network is a measure of how civil society is strengthening its voice at the global level as well as helping to make "club governance" more transparent and effective.

A network can also share knowledge and best international advocacy practices to help ensure that civil society representatives from the BRICS and G20 countries are adding value to the new political discourse and the shaping of the Post-2015 Development agenda. Finally, a network is an essential resource for government to facilitate that public interface with governments, as suggested by Alexei Kudrin. Clearly, the power shift at the 'club governance' level is not happening in a vacuum, and similar shifts are evident within global civil society groups. Traditional "Northern NGOs" are aligning their approaches, policies and modes of operation to reflect the changing reality. As noted in the box, below, this tendency was quite obvious at a recent large conference which took place in the "Global South"- in Johannesburg.

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[1] CIS is the Commonwealth of Independent States (countries of the former Soviet Union, excluding the Baltics); APEC is the Asia-Pacific Economic Cooperation Forum; CSTO is the Collective Security Treaty Organization; UNASUR is the Union of South American Nations. Union of South American Nations; SADC is the The Southern African Development Community; and Mercosur is an economic and political agreement among Argentina, Brazil, Paraguay, Uruguay, and Venezuela and Bolivia.

Messages from a Global Citizens' Movement

From November 11-12, 2013, a conference on "Building a Global Citizens Movement" took place in Johannesburg, South Africa that brought together over 200 representatives of civil society from more than 100 countries. The conference was co-hosted by DEEEP[1], CIVICUS[2] and Global Call to Action against Poverty[3]. It has been co-funded by the European Commission and the Leopold Mayer Foundation. Participants of the conference have condemned rising inequality, unequal wealth distribution, scarcity of opportunity to engage in shaping the decisions that affect lives of ordinary people, and the constrained spaces for civil society. Their vision and commitments are expressed here: The Johannesburg Compass: questions and orientations.

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[1] DEEEP is a programme initiated by the Development Awareness Raising and Education Forum (DARE Forum) of CONCORD. This Forum aims at strengthening the capacities of NGDOs to raise awareness, educate and mobilise the European public for worldwide poverty eradication and social inclusion. DEEEP is co-funded by the European Union. For more information: http://www.deeep.org/

[2] The CIVICUS alliance consists of a group of people and organisations from around the world dedicated to strengthening civil society and citizen action. For more information: http://civicus.org/

[3] The Global Call to Action Against Poverty (GCAP) is a growing alliance that brings together trade unions, INGOs, the women's and youth movements, community and faith groups and others to call for action from world leaders in the global North and South to meet their promises to end poverty and inequality. http://whiteband.org/

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