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Article

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Introduction to the Issue on

BRICS Enlargement: What Are the Geoeconomic Implications?

Chang Woon Nam

Out of the more than 40 countries that have expressed interest in joining the BRICS bloc, the leaders of the five founding members announced in August 2023 that Saudi Arabia, Iran, Ethiopia, Egypt, Argentina, and the United Arab Emirates (UAE) would be admitted in 2024.¹ The consensus-based approach of the BRICS has often hampered its effectiveness, given the sometimes-conflicting strategic goals of individual members and the shifting geopolitical and geoeconomic realities. The factors driving its expansion today will play an important role in shaping the international order tomorrow.

With the addition of these politically and economically heterogeneous countries, the BRICS now represent around 45 percent of the planet's population and around a third of global GDP. This primarily economic bloc was originally established as an alternative to the US- and EU-led international order, seeking to provide a counterweight to Western institutions for the countries of the Global South. Enlargement also offers Iran and Russia an alternative route for trade in the face of the sanctions the West has imposed on them. The addition of top oil producers Saudi Arabia and the United Arab Emirates gives the BRICS an economic backbone, while Iran also boasts large oil reserves. Against the backdrop of rising energy demand in India and China, an alternative energy market is being developed within the BRICS.

The decision to expand is often described as a victory for Chinese President Xi Jinping. However, if he intends to make the BRICS members an instrument in his rivalry with the United States, or if he aims to create a group of countries capable of countering the G7 or the network of alliances formed by Western countries, not all BRICS members will probably share his ideas.

More importantly, the enlargement of the BRICS underscores a long-standing demand from the Global South for a fundamental reform of global governance and multilateral systems. What are the geoeconomic implications of the BRICS enlargement for the world? What are the strategic implications for the EU and the G7? How will this affect the role of multilateral institutions such as the IMF, the World Bank, and the WTO? Will this affect the partnerships with the Global South?

This issue of EconPol Forum brings together several articles that address the issues arising from the role of BRICS+ in a new geopolitical era undergoing

a rapidly changing global economic order. They not only critically examine the key economic and political challenges ahead, but also highlight some new economic opportunities for the BRICS+ members, the Western world, and the Global South, and put forward joint multilateral strategies and cooperation measures needed to capitalize on these opportunities.

Alicia Garcia Herrero argues that the idea behind the BRICS began as a weak economic concept to acknowledge the growing weight of some major emerging economies, but then evolved into a more political one when it became a reality. In parallel with the greater focus on China, the BRICS' expansion has increased the heterogeneity of the group, with some major oil exporters under the same umbrella as others relying on external financing. In addition, the group has focused on reforming the current international monetary system and institutions in order to strengthen emerging economies, mainly in the Global South.

According to *Mark N. Katz*, the widespread geopolitical fears of the enlarged BRICS being the precursor of an anti-Western security alliance appear to be misplaced, given the members' starkly varying domestic interests and the difference in attitudes towards the West, not to mention some serious tensions among some of them (China vs. India, Iran vs. Saudi Arabia, Egypt vs. Ethiopia). A wiser policy response by Western governments would therefore be to continue and even expand their cooperation with the BRICS governments that are willing to work with the West, offering them political and economic incentives so that they do not completely side with the more implacably anti-Western governments of Russia, Iran, and China.

Pádraig Carmody sees the expansion of the BRICS against the backdrop of ongoing geoeconomic challenges and changes to the international order, as well as the West's competition with China and Russia. He emphasizes that China sees the current difficulties of the liberal international order as a strategic opportunity, prompting it to forge new alliances as its economy stumbles and it encounters some geopolitical setbacks. The expansion of the BRICS also shows that oil remains central to the functioning of the global economy; the addition of new major producers will potentially advance the pursuit of energy security and de-dollarization agendas of some of the BRICS.

The economic weight of the BRICS+ has been driven in particular by the rise of China, with the result that greater internal convergence of the BRICS+

¹ However, the newly elected president of Argentina has recently decided that his country would not join the BRICS.

will require considerable coordination efforts in the coming years. In this context, Günther Maihold proposes that the G7 should lay the foundations for a permanent dialogue with both the BRICS alliance and the individual member states to discuss and negotiate the issues associated with international financial organizations, as well as to foster policy coordination, for example on climate policy. As to the international financial order in particular, it is clear that the West must open up to the interests of the Global South if it wants to avoid conflicts and solve global problems effectively.

In their empirical contribution on India's international trade activity and economic heft, *Isabella Goure-*

vich, *Dorothee Hillrichs* and *Camille Semelet* expect that this founding BRICS member – and China's main counterpart in it – could well benefit from the bloc's expansion. Trade with the BRICS countries (including oil) will continue to grow, while trade with the EU and the US will expand from agricultural products and textiles to machinery and chemicals. European and US governments, in turn, will increasingly view India as a “safe” alternative trading partner to reduce their dependence on China. The country's role as a global exporter of modern ICT and business services, such as consulting and legal services, will be strengthened further.

We hope you enjoy this Policy Debate of the Hour!