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THE BRICS SUMMIT 2023

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The BRICS Summit was held in Johannesburg, South Africa on 22-24 August 2023. The said annual summit of the BRICS heads of state was held for the 15th time this year. The BRICS group, all of which are members of the G20 and stand out with their rapidly growing economies, emphasizes cooperation in economic, commercial, and financial fields, political coordination, and socio-cultural exchange, and set out their goal of creating an alternative approach to the Western-centered unequal globalization model.

The BRICS Five represent 43% of the world's population and their combined share of world Gross Domestic Product (GDP) has surpassed that of the G7 countries. Last year, the BRICS accounted for 31.5% of total global GDP, while the G7's share dropped to 30%.[1] In this context, highlighting the current lack of representation, the BRICS countries have been raising demands for reforms in various global institutions. One of their criticisms is the low voting rights of the BRICS countries in the World Bank and IMF, both Bretton Woods Institutions, in proportion to their GDP share and population (their total voting rights in the IMF is 14%).[2]

BRICS operates as a cooperation platform, so it is not an international organization, nor does it have a secretariat or a treaty. However, the New Development Bank (NDB), an international development bank established by the BRICS countries, started to operate with the founding treaty signed at the 6th BRICS summit. In addition to the US Dollar, the NDB also approves loans in Euro, Yuan, South African Rand (ZAR), and Swiss Franc (CHF). The NDB, which has provided $33 billion worth of loans to the five founding member countries to date, ceased structuring its loans in US Dollars and Euros in 2021.[3] Since 2021, Bangladesh, the United Arab Emirates (UAE), Egypt, and Uruguay have become members of the New Development Bank outside the BRICS Five.

At this year's summit, BRICS invited Argentina, the UAE, Ethiopia, Iran, Egypt, and Saudi Arabia for full membership as of 1 January 2024, bringing the total number of members to

11. The expansion of BRICS is in line with China's growing influence and the expansion efforts of other organizations such as the Shanghai Cooperation Organization (SCO). In addition to the UAE and Egypt, which are already members of the NDB, the addition of Saudi Arabia brings the number of Arab countries in BRICS to three. Saudi Arabia was also granted the status of SCO Dialogue Partner at the Samarkand Summit of SCO last year.[4] Saudi Arabia's relations with the United States, where it plays an important role in the oil supply, have started to weaken following the discovery of shale oil reserves in the US. Disagreements between the two sides over oil supply and prices have encouraged Saudi Arabia's efforts to move closer to Russia and China, while at the same time, China has increased its influence in the region through its investments in the Gulf countries.

Within BRICS, Iran is a counterbalance to the Gulf countries. Iran's full membership in the SCO was accepted in 2021.[5] The fact that Iran and Saudi Arabia reached an agreement with China's mediation[6] and that these countries are coming together on common platforms shows that stabilization in the Middle East is important for China's expanding strategic interests in the Gulf region.

Another important market for China is the African region. As a matter of fact, the focus of the 2023 BRICS Summit was determined as BRICS and Africa. With its participation in BRICS, Ethiopia has taken its place as one of the states representing Africa in this group. As a rapidly growing economy, with a large population and as a potentially lucrative market, Ethiopia opens the door to Chinese products, trade, and investment opportunities. Moreover, Western support for the Tigray Uprising in Ethiopia has encouraged the country to seek to improve its relations with China and Russia. Ethiopia's capital Addis Ababa hosts the headquarters of the African Union. Through its growing cooperation with Ethiopia, China has become a spokesperson for Africa's regional economic integration and has put forward its goals of advancing African integration in platforms such as the Africa Belt and Road Cooperation and the Forum on China-Africa Cooperation.[7]

China's presence in Latin America has also made great progress in recent years. Between 2000 and 2021, Latin America's trade with China increased by 28 times.[8] In South America, China has become the largest extra-regional trading partner of almost all major economies.[9] Argentina's membership in BRICS, the third largest country in South America in terms of population after Brazil and Colombia, is important in this context. Argentina's struggles with high inflation and difficulties in repaying its IMF debts have caused the country to turn to financing sources from BRICS and China.[10] Argentina's barter agreement with China has led to the expansion of the use of the Yuan in their bilateral trade.

In the BRICS Summit's BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development, and Inclusive Multilateralism declaration, the parties emphasized the importance of promoting the use of local currencies in international trade and financial transactions.[11] The fact that 88% of foreign exchange transactions in 2019 were denominated in US Dollars, while the Dollar could account for 58.8% of global foreign exchange reserves in 2022, reflects the results of the efforts towards de-dollarization.[12]

Another issue addressed by the parties in the BRICS Summit declaration is the fact that BRICS countries provide one-third of the world's food production, and accordingly, their commitment to strengthen agricultural cooperation to increase food security both within BRICS and on a global scale. In this context, the need to implement the BRICS Agricultural Cooperation Action Plan 2021-2024 was emphasized and the need for resilient food supply chains was highlighted.[13]

In 2024, the BRICS Presidency will be transferred to Russia and the 16th BRICS Summit will take place in Kazan, Russia.

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[2] The quota formula is a weighted average of GDP (50% weight), global economic openness (30%), economic variability (15%) and international reserves (5%). Source: Tim Cohen, After the Bell: IMF voting power doesnt reflect what the BRICS countries claim, Daily Maverick, August 21, 2023, https://www.dailymaverick.co.za/article/2023-08-21-after-the-bell-imf-voting-power-doesnt-reflect-what-the-brics-countries-claim/

[3] Expansion Of The BRICS New Development Bank, Silk Road Briefing, May 31, 2023, https://www.silkroadbriefing.com/news/2023/05/31/expansion-of-the-brics-new-development-bank/

[4] Gülperi Güngör, Şangay İşbirliği Örgütü Semerkant Zirvesi, AVİM, 22 Eylül 2022, https://avim.org.tr/tr/Analiz/SANGAY-ISBIRLIGI-ORGUTU-SEMERKANT-ZIRVESI

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[6] Amrita Jash, Saudi-Iran Deal: A Test Case of Chinas Role as an International Mediator, Georgetown Journal of International Affairs, June 23, 2023, https://gjia.georgetown.edu/2023/06/23/saudi-iran-deal-a-test-case-of-chinas-role-as-an-international-mediator/

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[8] Andres Cadena, Olivia White, and Camillo Lamanna, What could a new era mean for Latin America?, McKinsey Global Institute, July 20, 2023 https://www.mckinsey.com/mgi/our-research/what-could-a-new-era-mean-for-latin-america

[9] Ibid.

[10] Natalie Alcoba, Argentinas yuan lifeline sign of brinksmanship between China, US, Al Jazeera, July 17, 2023, https://www.aljazeera.com/economy/2023/7/17/argentinas-yuan-lifeline-sign-of-brinksmanship-between-china-us

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[12] What would BRICS expansion mean for emerging markets? Oxford Business Group, August 17, 2022, https://oxfordbusinessgroup.com/articles-interviews/what-would-brics-expansion-mean-for-emerging-markets

[13] Johannesburg II Declaration. BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism...

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