


## Seizing the Eurasian moment

By Bunn Nagara 

IF there is still any doubt that Russia and China are cultivating their global presence together, events in recent days come as a timely antidote.

The five emerging BRICS economies of Brazil, Russia, India, China and South Africa, spanning nearly as many continents, had their seventh summit in Ufa, south-western Russia on Thursday.

Any lingering uncertainty over Moscow-Beijing relations would also have been dispelled by the fact that the BRICS summit was held back-to-back with the 15th Shanghai Cooperation Organisation (SCO) summit on Friday.

The SCO is an association of six countries – Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan – and prime movers China and Russia, which also happen to be dominant. Its summit this time saw a growth in membership with the inclusion of India and Pakistan.

The BRICS countries have certain shared concerns and objectives, such as national development and international commerce that need not conform to the strictures of the Washington Consensus.

Strictures imposed by the Bretton Woods institutions, the World Bank and the International Monetary Fund (IMF), have bled already anaemic economies and destabilised countries in the developing world on the basis of ideological prescriptions.

At the same time, these Western-dominated financial institutions failed to give emerging economies, epitomised by China, their rightful voice according to their global economic importance. Thus a cash-rich China has had to evolve financial institutions of its own.

Such multilateral efforts are best done together with like-minded nations. So besides BRICS, SCO countries that span Eurasia – with a collective focus on Central Asia and now also South Asia – have come together to develop alternative funding agencies.

In addition to the Beijing Consensus of rapid growth that is politically conscious, defined and directed, there is now the “Shanghai Spirit” of mutual respect, trust, benefit and consultation with equality.

These values broadly mirror the Five Principles of Peaceful Coexistence adopted by China and India (Panchsheel Treaty) two generations ago.

But even as SCO membership sees steady growth, it is clear enough that its main drivers and those of BRICS are China and Russia. By dint of sheer size and capacity, particularly those of China, Beijing and Moscow have come to lead the rest.

The way Washington has managed to alienate China and Russia at the same time has helped develop their partnership. Following years of US criticism of both countries, the US navy chief lately branded Russia as the greatest threat while presidential hopeful Hillary Clinton accused China of hacking US sites.

Russia and China were thus prodded by the US to work more closely together. US foreign policy is often said to be defined by domestic interests, or perceived interests, and this is seldom more true than when a presidential election campaign approaches.

However, improving relations between China and Russia are not thanks solely to US posturing. Moscow and Beijing are not without common interests of their own.

On Thursday, Russian Foreign Minister Sergei Lavrov rallied member countries of both BRICS and the SCO to fight terrorism together. International terrorism today is a clear and present danger, a substantive threat and a common scourge requiring close cooperation particularly among neighbouring countries.

While BRICS's terms of reference are more economic, the SCO's are broader and more strategic. Within BRICS, member nations have formed a Business Council and formulated an Economic Partnership Strategy. Key sectors are manufacturing and infrastructure besides clean energy and agriculture.

But the star attraction at Ufa was the launch of the New Development Bank (NDB), also known as the BRICS bank, with an initial capital of US\$100bil (RM378.2bil).

To be based in Shanghai with its first president in India's K.V. Kamath, the NDB would be raising funds locally and internationally. It is set to issue its first loans next April. This is among four new financial institutions championed by China, the others being the Asian Infrastructure Investment Bank, the Silk Road Fund and the SCO's Development Bank.

In the SCO context, member countries had made strides in the energy, telecommunications and transportation sectors. Now such gains needed to be affirmed while also developing opportunities in agriculture. Russia places a special priority on the Eurasian Economic Union (EAEU), which also covers Armenia, Belarus, Kazakhstan and Kyrgyzstan, with Russia dominant. China has prioritised its Silk Road Economic Belt initiatives linking Asia with Europe.

Working together, the EAEU and the Silk Road projects would be promoted jointly by the SCO. The proposed financial institutions, to which China would be contributing the most, would finance these and other related projects.

The fortunes of BRICS economies however have dipped in recent months. The Ufa summit did not deny the current challenges but chose to emphasise the positives.

Although numbering just five countries, the BRICS group had contributed half of the world's economic growth over the past decade and produced 20% of total global output. No less than IMF findings show that until 2030 at least, BRICS growth would outperform developed and other emerging economies.

For Russia, the plans and initiatives have a more immediate tactical purpose – to alleviate economic pressures brought on by Western sanctions against its moves in Ukraine.

For China, the longer-term strategic purpose covers efforts to facilitate more trade, expedite internationalisation of the renminbi and generally build and solidify China's global stature.

In investing massively in the new financial institutions however, Beijing will be competing against the IMF, the World Bank and the Asian Development Bank.

In doing so it will have to be more borrower-friendly, minus the strictures so synonymous with the Western-run rivals. The official word is that these new lending agencies are not going to challenge the Bretton Woods institutions, but the practical effect is nonetheless to offer borrowers more choice.

To substantiate the claim that the new institutions will neither rival nor replace the older ones, China is also calling for more open international accountability of the IMF and the World Bank. Somehow that may still not come as comforting news to Western power brokers.

But after all the platitudes and hurrah in Ufa, there are now the realities to contend with.

Strategic analysts prefer to gauge the viability of regional institutions based on the common interests shared among member states. In this respect, the future of BRICS may seem less promising than the SCO's. Precisely because of the broad spread of the BRICS countries, there is little they have in common besides an affinity with alternative modes of development.

Their economic growth has been significant, but achieved independently of other BRICS nations and – except for China – with little support from (integration with) other countries in their respective regions.

The obvious question arises as to how sustainable can BRICS as an entity be. The fortunes of international associations depend on more than goodwill and bravado.

The SCO by comparison holds more prospects for success. By comprising a contiguous region that includes Eurasia and a substantial chunk of the Asian land mass, cross-border concerns are shared and can be attended to jointly.

Furthermore, practical projects like the Silk Road Economic Belt and the EAEU require constant attention, commitment and contributions from the 60 countries and regions that are involved.

This may mean more obligations to begin with, but consistent maintenance will ensure better management and success.

***Bunn Nagara is a Senior Fellow at the Institute of Strategic and International Studies (ISIS) Malaysia.***