



## RUSSIA AND BRIC

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## Russia and the Narrative of BRIC

By Aglaya Snetkov and Stephen Aris, Zurich

### Abstract

Currently, there is a lot of debate about “rising powers” challenging the existing global status quo. Within this debate, the BRIC thesis and, more recently, the BRIC summit often feature prominently. Although most analysts question whether Russia can be considered a “rising power”, Moscow has sought to promote the BRIC summit and thesis as one aspect of its wider attempts to ensure itself a voice in what it deems as a changing global order.

### Introduction

The contemporary debate on the “rising powers” is increasingly becoming a defining element of the international system. One of the key ideas within this meta-narrative is that of the growth of the BRIC. BRIC is an acronym for four countries, Brazil, Russia, India, and China. Its widespread usage is associated to a 2003 Goldman Sachs Report, which asserted that these four countries’ economies would develop at a rapid rate, so that by 2050 they would have become the largest and most influential economies within the international system, alongside the US—hence breaking the US’s hegemonic role within the world economy. On the basis of this report, many analysts have extended this prediction of economic strength to a growth in political influence for the BRIC, and indeed a consequent alteration in the geopolitical and normative balance of the international system.

As the BRIC thesis has been examined more closely, many have questioned the validity of the inclusion of Russia within the BRIC grouping, in particular because it is argued that the strength and capacity for growth of the Russian economy is not comparable to those of China, India and Brazil. However, whether or not Russia can objectively be characterized as a “rising power”, the narrative surrounding BRIC continues to hold prevalence within the international system, a phenomenon that has not gone unnoticed in Moscow. Under both Presidents Putin and Medvedev, Russian foreign policy has sought to make use of this narrative as a mechanism for projecting Russia’s image as a major international player and asserting aspirations of great power status.

### Russia and an Emerging New World Order

Under Putin and Medvedev, Russia has increasingly sought to portray itself as a “Great Power”. Whilst the financial crisis of 2008 may have demonstrated Russia’s vulnerability to external economic developments, the hollowness of its internal economic growth and its precarious over-reliance on hydrocarbons, this has not deterred the Russian leadership from attempting to place Moscow at the heart of key developments and

debates on the global stage. To this end, since 2008/9 a subtle change in strategy is evident in Russian foreign policy, with more emphasis placed on asserting Russia’s national interests, not through hostility to other actors, but within the regime’s wider rhetoric about modernisation and revitalizing of external relations. Therefore, at least rhetorically, Russian foreign policy has focused on re-building its key international relationships, as witnessed by its attitude towards the “reset” of relations with the US under President Obama and the proposal for a new security strategy with Europe. Moscow has also continued to focus on building stronger relations with its CIS allies, for example through the creation in July 2010 of the Customs Union between Russia, Belarus and Kazakhstan and the current preparations to convert this into a Single Economic Space, efforts to develop the CSTO, improving relations with Ukraine under Yanukovich.

Beyond Russia’s traditional focus on the CIS, US and Europe, the wider global debate revolving around a changing *balance-of-power* within the international system from West to East has also triggered more focus on its relationships with countries on its Eastern flank. Since the collapse of the Soviet Union, the Russian–Chinese relationship has been slowly improving, and since the start of the 2000s has been characterized by both Moscow and Beijing as a “strategic partnership”, a recent product of which was the opening of the Skovorodino–Daqing oil pipeline. Russia has also sought to engage with other Asian countries, with the second ASEAN–Russia summit held in December 2010. In addition, in recent years Russia has also sought to engage or re-engage with other regions of the world, particularly South America (see Koval article in this RAD), the Middle East (see RAD 83), and, to some extent also, Africa (see RAD 83).

Therefore, a more diversified Russian foreign policy has been evident in recent years. This slight alteration in course is driven by the view that Russia needs to act to ensure it maintains a voice within the international system. The Russian leadership considers that the existing world order is changing with new players emerging

as significant and that this is a process that will occur regardless of whether Russia is a part of it or not, and that, against this background, it would be better to position Russia as an active part of this change, rather than to be excluded and isolated as a result of it. To this end, Russia is making a concerted effort to re-vitalise itself as an international player, not only by seeking to normalize its relations with its traditional allies, but also by attempting to position itself as within the group of the “rising powers” and as part of any new global institutional and normative arrangements.

### **Russia’s Participation in and Rhetoric on BRIC**

As noted the term BRIC emerged from a company report, before evolving into a wider narrative hook for expressing a changing world order. The origin of the term is not lost on the Russian leadership, with Russian Foreign Minister, Sergei Lavrov, noting in April 2009 that it came “from statistical handbooks”. However, as with the expansion of its usage in general, he also outlined that from this limited and abstract context “a natural idea arose to meet and look at how each of our countries [BRIC] perceived this forecast and whether we had some common themes for discussion”. Indeed, Russia has sought to promote this term “from statistical handbooks” as the basis for constructing closer collaboration with these other “rising powers”, finding the other BRICs also open to this idea. The development of a framework for building some concrete collaboration to the BRIC concept has become a goal in Russian foreign policy. In 2010, Medvedev stated that “Russia would like the cooperation between the BRIC countries to become a major factor of multilateral diplomacy and to make a substantial contribution to promoting the nascent multipolarity and development of collective leadership by the world’s leading countries”.

The initial attempts to build a BRIC club began with moves to establish greater contact as a group on an informal level within the framework of the UN General Assembly, followed by discussion at a ministerial level around the G8 summit in 2006 and G20 in 2008, and a meeting of BRIC foreign ministers in Yekaterinburg, Russia in May 2008. These efforts were crystallized with the creation of the BRIC Summit, first held in 2009, and again last year, with plans to hold summits annually, with the 2011 edition to be held in China. At the end of 2010, South Africa was invited to participate in the BRIC summits.

From the Russian leadership’s perspective, the hosting of the first BRIC summit in Russia, on the back of the annual summit of the Shanghai Cooperation Organization in Yekaterinburg in June 2009, was seen

as significant. At the second summit in Brasilia, President Medvedev commented to journalists that “there were doubts for a while as to whether the BRIC countries would actually become a group holding summits ... these are close countries, partners, with good strategic relations, but we did not hold summits, and so I was happy that when we did decide to hold our first summit it was in Russia”.

The Yekaterinburg summit was held in the wake of the 2008 global financial crisis, and its priorities centred on this crisis. The rationale, as noted in Russian official discourse, was that the BRIC meeting was an important stepping stone for reshaping the global economic landscape following the financial crisis, because, in line with the BRIC thesis, the BRIC represent the “largest economic growth and political influence centres among emerging economies”. Within this logic, it was suggested that alongside the development of “stronger collective and legal foundations of international life”, there is a need for a “fairer” system of international relations, one which takes into account the national priorities and interests of each of the BRIC countries and that is not determined solely by the West. An indication of this agreement about rebalancing the current institutional fabric of the economic and political international system came in the form of the discussion of alternatives to the US dollar as the world’s standard reserve currency—an issue prominently raised by Medvedev.

The second BRIC summit took place in April 2010 with the countries aiming to expand their dialogue, and to widen cooperation to other issues such as security and international affairs, climate change and food security. Nonetheless, discussions centred once again on overcoming the financial crisis, the strengthening of financial institutions and establishing a “fairer and more democratic international system in general” (Medvedev 2010). In relation to economics not only did the Russian leadership suggest that the BRIC countries could formulate a common position at the G20 in November 2010, but the four countries also drew up a Memorandum of Cooperation between state financial development and export institutions.

Russia’s approach towards BRIC should be seen within and as part of the wider process by which Russia is attempting to position itself as an important player within the international system, which includes efforts to revitalise its non-Western foreign policy vector and to place itself at the centre of the new clubs and organizations created around the world to mediate, channel and structure a shifting global order. As such, participation in BRIC has now entered into Russia’s wider foreign policy discourse and priorities. The 2008 Foreign Policy Concept notes that “Russia will make itself more fully

engaged in such formats as the Group of Eight and its dialogue with its traditional partners, the Troika (Russia, India and China) and the BRIC Four (Brazil, Russia, India and China), as well as by more actively using other informal structures and venues for dialogue". Thus, in spite of its lack of substance, the BRIC meeting is mentioned alongside other very prominent institutional elements to Russian foreign policy.

Russia's participation in BRIC has also been utilized to the end of strengthening relations with Brazil, and India and China. Outside of the showcase and grand rhetoric of the BRIC summit, references to the BRIC have also sprung up in other contexts, for example in the Russia–India–China Troika meeting in May 2008, or the joint article by Sergei Lavrov and his Brazilian counterpart, Celso Amorim, published in *Rossiiskaya Gazeta* in 3 October 2008. For Russia, the BRIC summit also functions as a tool for strengthening its bilateral and trilateral relationships with the other members of BRIC.

### The Role of BRIC in Russian Foreign Policy

At the present time, it seems that the idea of BRIC as symbolizing the premier group of "rising powers" will continue to have some, if a declining, resonance within the international system, even though it has been debunked by various analysts, who argue that while China, and to a significant lesser extent, India, could fulfil the BRIC prophecy, the possibility of the Russian economy doing likewise is remote. However, the significance of Russia's narrative on BRIC lies not in whether or not Russia qualifies as a "rising power" (by the usual

criteria used to assess this, it certainly does not), but in the way in which Russia utilizes this narrative as part of its wider foreign policy aims. The creation of the BRIC summit, has, at the very least, created a forum for these countries to meet and express an alternate voice to what many within these countries proclaim as the pro-Western existing arrangements for global discussion and governance. Many of the ideas expressed at the BRIC summits, coincide with those in Russian foreign policy, which is not surprising given that similar areas of common viewpoint are evident in Russia's bilateral relationship with China.

Against this background, the creation of the BRIC as a regular summit serves to include, at least in some geopolitical capacity, Russia within the grouping of those states seen as "rising powers". This is seen by Moscow as a major foreign policy success. If a change in global power is underway from West to East, by placing itself at the centre of hubs such as the BRIC summit and cultivating its relationships with the "rising powers" driving this transformation, Russia hopes to guarantee itself a stake and a voice in any reshaping of the institutional and normative fabric of the international system (if of course any such change does occur). This is not to say that Russia does not prioritize its relations with the West. It does, and Moscow also seeks to improve and cement positive relationships with all states in the West. In this way, Russia will have a role to play and a voice in both the established Western order and any emerging order led by the "rising powers".

#### About the Authors

- Aglaya Snetkov is a Senior Researcher at the Center for Security Studies, ETH Zurich. She has a forthcoming article on Russian security policy in Europe–Asia Studies, and is working on a book manuscript on the evolution of Russia's security discourse under Putin and Medvedev, as well as a project on post-Soviet regional security and Afghanistan.
- Stephen Aris is a Senior Researcher at the Center for Security Studies, ETH Zurich. He has a forthcoming book entitled "Eurasian Regionalism: Shanghai Cooperation Organisation" <http://www.palgrave.com/products/title.aspx?pid=488664>

#### Further Reading

- Gilbert Rozman "Sino–Russian Relations in Triangular Contexts"; Alexandra Koval "Contemporary Perspectives and Trends in Russian–Brazilian Relations" in this issue of *Russian Analytical Digest* (*Russian Analytical Digest* 91)
- Vladimir Portyakov "Russian–Chinese Relations: Current Trends and Future Prospects"; Zhao Huasheng "Sino–Russian Relations 2009 to 2010: A Perspective from China"; Shoichi Itoh, "Sino–Russian Energy Relations: True Friendship or Phony Partnership?" in *Russian Analytical Digest* 73 (<http://www.res.ethz.ch/analysis/rad/details.cfm?lng=en&id=113103>)

## Sino–Russian Relations in Triangular Contexts

By Gilbert Rozman, Washington

### Abstract

Sino–Russian relations are being tested in triangular contexts around Asia, involving national identities as well as national interests. South Asia poses the most direct bilateral conflict, followed by Southeast Asia. Central Asia and Mongolia is likely to be the most serious. Divergence over Japan and the Korean peninsula is bound to grow. Given lingering preoccupation with the United States, only a shift in Russian national identity is likely to bring these differences with China to the fore.

Sino–Russian relations remain a puzzle. On the one hand, few doubt that the rhetoric of extremely close relations that Chinese and Russian leaders continue to spout is a mirage. On the other, as issues keep arising over which clear divergence is expected, the two states persist in presenting a common front. Refraining from any direct criticism of each other, both fixate on U.S. power and values. Recently, each rebuked South Korea's initiative to elicit condemnation of North Korea's role in the Cheonan sinking by the other five states in the Six-Party Talks. After China took an unprecedented harsh stance toward Japan with regard to a territorial dispute between the two countries, Russia also upset Japan and other observers with the first visit by its leader to the disputed islands with Japan. Despite much talk of late from Russian officials about the importance of a balance of power in the Asia-Pacific region amidst evidence of China outmaneuvering Russia in Central Asia, the recent visits by Russian leaders to the East Asian Summit (where joint entry with the United States begins in 2011), the G-20, and APEC revealed no corresponding responses. Unraveling these complicated bilateral relations requires a dualistic approach, considering national identities as well as national interests.

Narrowly bilateral aspects of Sino–Russian relations are only one part of the overall picture. The two continue, as in the late 1990s, to put positive political aspects of their relationship in the forefront, struggling economics in the middle, and doubtful cultural ties in the rear. While all three aspects have improved—politics according to Vladimir Putin's insistence on gaining more leverage against the West, economics based on Russia's recognition that the world economy's balance is shifting toward Asia, and even culture as both sides level criticism elsewhere and agree to high-profile symbols of mutual respect—they fall short of solidifying relations. This is especially true as triangular relations in Asia gain more importance for the relationship. These triangular contexts can be divided into five sub-regions: 1) Central Asia and Mongolia; 2) South Asia; 3) Southeast Asia; 4) East

Asia centered on Japan; and 5) Northeast Asia centered on the Koreans. In the background is the global strategic triangle, inclusive of the United States (US–Russia–China) that remains a powerful influence on ties between Moscow and Beijing, as in the Cold War strategic triangle.

### Central Asia and Mongolia

The distinctive location of the five countries of Central Asia and Mongolia, landlocked with no other nearby great power, puts them in the foreground in the struggle between Russia's irredentist notions of states that formed part of the Soviet Union and China's resurgent sinocentric view of how to treat border states. China has achieved a masterful diplomatic success over two decades of gaining influence across Central Asia, while arousing almost no official objections from Russia. Their joint presence along with four Central Asian states in the Shanghai Cooperation Organization (SCO) has smoothed this transition. Yet, the national interests of the two powers are not well aligned, and the potential keeps growing for national identities to shift from overlapping to conflicting in regard to this region. This clash in interests and identities has been clearest from the outset in the case of Mongolia.

National identities have been aligned in blocking any color revolutions (the spread of Western power and values) and rising extremism (the spread of Islamic fundamentalist movements). The U.S. bases in Uzbekistan and Kyrgyzstan fueled further agreement on the joint threat, despite the apparent shared need to prevent Afghanistan becoming a launching pad for extremist groups. Yet, the U.S. presence is limited, the reset of U.S.–Russian ties is allaying Russian paranoia, and China's gains have potential to refocus Russian attention. Unlike Southeast Asia, where ASEAN has the central role in regionalism, there is no impetus toward a Central Asian political community. Thus, Chinese bilateralism exposes the limited role of the SCO. Russian cultural ties to the elites of Central Asia are gradually declining. Even if China does not exert a strong cultural pull, its intensifying sinocentrism in other sub-regions should be a wake-up

call. Moreover, increasing spillover from Afghanistan, where China is gaining an economic foothold and supports Pakistan, is likely to catch the attention of Russia. Central Asia is too much a part of Russian national identity for Moscow to accept China's economic domination and eventual assertive political pressure, while Mongolia is too much a part of sinocentrism to escape Chinese pressure on Russia.

### South Asia

In contrast to inner Asia, South Asia has come to symbolize the Sino–Russian gap in coordination on international affairs. As China's squeeze intensifies on India ("string of pearls" naval facilities, railroad and road construction removing the long impassable Himalayas as an obstacle, assertive territorial demands supported in new ways, dams threatening water supplies, etc.), Russia must decide whether it will back India more tangibly. As the U.S. military presence in Afghanistan declines, Russia's exposure will grow. In 2010 cooperation facilitating the northern supply route and dropping resistance to the Manas base in Kyrgyzstan suggests that the U.S.'s 'resetting' of relations with Russia is having an impact. Obama's November visit to India offered fresh proof of closer U.S.–Indian ties, and past Russian responses of trying to counter U.S. initiatives may be shifting to joint efforts in response to the danger of Pakistan–Taliban reassertion of power in Afghanistan. Russia's inclination to turn a blind eye to China's role in challenging India may be the weakest link in its deference to China. The fiction that it could simultaneously maintain close partnerships with both rising great powers may be tested, as happened fifty years ago when the Sino–Indian war exacerbated the Sino–Soviet split.

Relations between Moscow and New Delhi in the 1960s–80s appeared to be strictly about national interests since communist and democratic identities did not mesh. Each sees the other as a force for great power balance, but there is potential for national identity to play a role since both favor autonomy within a multipolar Asia in a way that suggests opposition not only to past U.S. power, but also to new Chinese power. An outcome where India shifts decisively away from the special relationship may jolt Russia into considering how it can reposition bilateral ties and shared identities. If China is suspicious of the expanded East Asian Summit, Russia embraces the new venue to explore a multilateral security framework with India and the United States that encompasses ASEAN, China, Japan, and South Korea as well as Australia and New Zealand. As an independent voice in Asia, Russia can boost its national identity, and India serves that image more than China.

### Southeast Asia

Already in recent years Russian arms sales in Southeast Asia have capitalized on growing alarm about the Chinese military build-up and recent disturbing claims in the South China Sea. Russo–Vietnamese relations have revived in awareness of greater concern about China's military intentions. Given the preference within ASEAN to avoid confrontation, even as many states welcome a reinvigorated U.S. presence, the prospect of a direct conflict of interests between China and Russia is not high. Yet, to the extent China reasserts the claim that the South China Sea is its "core interest" or uses economic pressure on vulnerable Southeast Asian states, there may be appeals to Russia to join the United States in furthering multilateral approaches to problems.

China is especially prone to apply sinocentrism to Southeast Asia, pressing states to defer to it on sensitive matters linked to its broad notion of sovereignty. If this region is far from Russia's borders and of little consequence for its post-Soviet identity, it also is an ideal testing grounds for Asian reorganization, in which multiple powers are engaged and China's intentions are being scrutinized. Russia may be drawn into this process if China is not careful to temper its assertiveness. In 2010 a backlash against China was already occurring, facilitating the establishment of a larger East Asian Summit by ASEAN and raising hopes in Moscow of new opportunities.

### East Asia Centered on Japan

As Japan grows alarmed about relations with China, particularly as a result of the Chinese response to the fishing boat incident near the disputed islands in September 2010, Moscow has the option of beckoning to Tokyo or seizing the opportunity to press home its increased advantage. In the fall of 2009, when the then Japanese Prime Minister, Hatoyama Yukio, began his tenure with an overture to Dmitry Medvedev and in the summer of 2010, when the current Prime Minister, Kan Naoto, was welcomed by Medvedev with an upbeat statement on how to deal with the Kurile Islands/Northern Territories issue, Russia appeared to be ready for intensified engagement. Yet, in July 2010 Russian Foreign Minister Sergei Lavrov omitted Japan when he listed cooperative partners in Asia in Khabarovsk. The State Duma then passed a bill to commemorate the victory over Japan in WWII annually on September 2, which also figures into joint celebration with China. Medvedev soon announced plans to become Moscow's first leader to visit the disputed islands and, after a delay, made the trip on 1 November. Shocked by Beijing's stern posture in relation to territorial disputes, the Japanese were also disturbed by Moscow's tougher stance.

While China and Russia appeared to be in sync on Japan, Russia may have sought to prod Japan to abandon its illusions on how to solve the territorial dispute and diplomatic inertia. In Russia, a desire exists for improved Russo–Japanese relations for economic and great power interests, but also for an identity as an Asian power not just following in China’s shadow. Yet, the impasse is complicated by confusing signals over Putin’s resurgence and Medvedev’s ineffectiveness, casting doubt on any strategy that could highlight modernization, innovation, and a central role for Japan in the development of Russia’s Far East. As Kan focused on improved security ties with South Korea, after restoring trust with the United States, Russia’s critique of the North’s shelling of Yeonpyeong island was seen as only one step toward distancing it from China in Japanese eyes. The identity clash with Japan is far from being bridged.

### **Northeast Asia Centered on the Two Koreas**

Russia seems to be more concerned about a nuclear North Korea than China is, but its approach to the Six-Party Talks echoes China’s. It is more restrained in its criticism of South Korea without explaining how this fits into its overall approach to the peninsula. The backlash against its loss of leverage after 1991, when North Korea reacted angrily to Russia’s normalization of relations with South Korea, overshadows clarification of a new Russian policy towards the Korean peninsula. Claiming to be the only real champion of Korean reunification, distinct from China and the United States, Russia is energized when progress is being made in the Six-Party Talks, but it has little to offer when pressure on the North is needed.

Optimism about ties with Seoul faded fast after normalization. Although in contrast to the second half of

the 1990s, trade had grown sharply during the boom years, Russia does not consider South Korea a major geopolitical player. It is viewed primarily through the lens of the alliance with the United States and the struggle with North Korea, in which Russia gains clout by balancing ties on the peninsula. Despite more urgent need for economic support in the Russian Far East and more provocative behavior by North Korea, Russia’s stance remains close to China’s.

### **The Triangle with the United States**

As Sino–U.S. relations grow more adversarial and the Sino–Russian balance of power shifts more decisively in favor of China, Russia should find it advantageous to shift away from closer ties to China than to the United States. This will be possible if Russia becomes less obsessed with the challenge of NATO expansion and western threats to its revived, but still uncertain, national identity. In early 2011, sentencing Mikhail Khodorkovsky to an additional six years in prison and arresting opposition leader Boris Nemtsov for peacefully demonstrating aroused U.S. protests and in response Russia issued some warnings that this interference in Russia’s internal affairs could damage relations. Forces in Russia appeared indifferent to improving the climate for foreign investors and winning the respect of Western public opinion. Such behavior, consistent with Putin’s approach, makes it likely that China will be preferred to the United States. As one of a small number of states not to send a representative to the Oslo ceremony awarding the Nobel Peace Prize to the Chinese democracy advocate Liu Shaobo, Russia made its choice clear. Unless there is a substantive shift in national identity, Russia is likely to remain tethered to China despite the logic in the above triangles.

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## Contemporary Perspectives and Trends in Russian–Brazilian Relations

By Alexandra Koval, St. Petersburg

### Abstract

In the 21<sup>st</sup> century Russian–Brazilian relations have been strengthened both economically and politically. 2008 was a particularly successful year that provided the basis for wider developments, especially in trade; however, the global financial crisis has altered this trend to some extent. At the same time, the recent BRIC summits and high-level bilateral meetings have focused on the prospects for further cooperation and have encouraged Russian–Brazilian economic ties.

At present Brazil is one of Russia's main partners in Latin America. At the beginning of the 21<sup>st</sup> century, relations between the two countries entered into a new stage, with economic and political links significantly improved in comparison with previous decades.

Diplomatic ties between Russia and Brazil were established in 1828. However, until the 2000s, bilateral relations were characterized by an unsteady and weak dynamic. Only in 2001 did Russian–Brazilian trade exceed \$1 billion. However, greater diplomatic exchanges in the last decade have led to an increase in economic cooperation. In 2002, the then Brazilian president, Fernando Henrique Cardoso, visited Russia and two years later Vladimir Putin was the first Russian leader to visit Brazil. Following on from these reciprocal visits, the newly elected Brazilian president, Luiz Inácio Lula da Silva, visited Russia in 2005. These high-level diplomatic visits were followed by an enormous boost in bilateral trade, with a 70% increase during the course of 2005. In light of this growth in trade, commercial relations between the two countries have steadily increased, and 2008 became a year of great importance.

### Relations between Russia and Brazil in 2008

In 2008 Russian–Brazilian diplomatic relations marked their 180<sup>th</sup> anniversary. Moreover, during 2008 there was an evident spurt in bilateral trade between the two countries. For Russia, Brazil is its leading trade partner in Latin America. Indeed, 2008 was a very successful year for Russian exporters, with supply growth of 81% in comparison with 2007. However, Russian imports continued to be higher than exports, with the value of Brazilian exports to Russia more than double of Russian exports to Brazil: \$4.7 *contra* 2 billion. According to Russian official statistics, total Russian–Brazilian trade turnover in 2008 was \$6.7 billion, which is ten times higher than in 2000. While, according to Brazilian statistics, trade with Russia in 2008 amounted to \$7.98 billion. One of the most important reasons to explain this difference is the large role played by foreign

intermediaries in Russian–Brazilian trade, which causes challenges to bilateral relations.

In 2008, the Russian president Dmitry Medvedev visited Brazil following the APEC forum. The results of these meetings were two military agreements, a program of collaboration on the GLONASS monitoring network and an arrangement on the exemption of short-term visa requirements (which came into force on 7<sup>th</sup> June, 2010). During these meetings, the two countries set an objective of reaching \$10 billion bilateral turnover. The presidents of both countries stressed the similarity of their visions on international security issues and the significance of cooperation between BRIC (discussed below). Indeed, a final decision on establishing the organization of BRIC summits was approved at a high level meeting between Brazil, Russia, India and China, within the framework of the G8 summit in Japan in 2008.

Moreover, in the same year, Russia issued its “Foreign Policy Concept of the Russian Federation”, which stipulated that “Russia will seek to establish a strategic partnership with Brazil” as one of its primary goals in the Latin American region. Also during this period, the Kremlin launched the “Concept of Long-term Social and Economic Development of the Russian Federation till 2020”, specifying Russia's economic strategy in Latin America. It identified the main objectives as: to diversify exports with an enlarged share of high-tech products, to increase investments in the region, as well as the number of representative offices of Russian TNCs, and to develop collaboration with the regional integration blocs, primarily MERCOSUR and the Andean Community.

In examining these objectives, it is necessary to highlight that the leading Russian export to Brazil is fertilizers, while agricultural products make up the lion share of Brazilian exports to Russia. Brazil is the second most important market for Russian exports of fertilizers (after India) and Russia is the leading importer of Brazilian meat, as well as the second leading in sugar imports (also after India). Machinery and equipment has been on the periphery of bilateral trade: 0.6% of Russian exports and 9% of imports. Moreover, in 2008 Brazilian exports of high-tech products to Russia exceeded

that of Russian high-tech exports to Brazil and were of a wider scope. These developments in trade during 2008 seemed to set in place a long-term dynamic for Russian–Brazilian relations. However, the global economic crisis has changed the situation.

Russian and Brazilian investment in each other's countries is insignificant. Even during 2008, Brazil only invested about \$21.2 million in Russia and Russia invested even less in Brazil—about \$2.3 million. The most famous investment project in Russian–Brazilian relations is a joint venture by the Brazilian producer of chilled and frozen food “Sadia” and the Russian company “Miratorg” in Kaliningrad. From 2008, different perspectives for investment cooperation in the energy, automobile and aircraft industries were discussed, but at present collaboration has not progressed beyond negotiation. Hence, trade remains the primary, and indeed so far the only, aspect of economic relations between the two countries.

Taking this into account, 2008, on the one hand, represented a significant turn by Russia towards Latin America, with Brazil recognized as one of Russia's most important partners in the region. In trade, a significant spurt was achieved, and further economic collaboration was considered. At the same time, Russia launched several documents for developing its foreign economic strategy, including in Latin America, and Russian–Brazilian political links were increased. However, on the other hand, despite the increased cooperation of 2008, the overall dynamic from previous years was maintained, and one could argue that the improvement in Russia's relations with Brazil were simply the consequence of the general trends caused by Russia diversifying its foreign strategy and that the goals set for relations with Brazil were more declaratory than realized. Ultimately, it is too early to judge the significance of the achievements of 2008. In addition, the global financial crisis deeply affected both countries in 2009, creating several challenges, but also opportunities, for their burgeoning economic relationship.

### **Russian–Brazilian Economic Relations: Impact of the Global Crisis**

The global financial crisis led to a slump in the turnover from Russian–Brazilian trade, estimated by Russian official statistics as a decline of 32% (according to Brazilian statistics—53%) in 2009. Russian exports to Brazilian markets decreased by 47% (total Russian exports to Brazil: \$1.1 billion), imports from Brazil—by 25% (total Russian imports from Brazil: \$3.5 billion). This was expected in light of the general global crisis in which both countries suffered from the deterioration of commercial relations, with Russia in a more drastic sit-

uation because of the level of its economic dependence on oil and gas exports.

In 2009, 65.5% of Russian exports to Brazil consisted of fertilizers, 12%—metals, 11%—machinery and equipment. The crisis led to the development of high-tech exports from Russia and 2009 became the first year that Russian machinery exports to Brazil exceeded imports from Brazil. In this sector, the most in demand products were aircraft spare parts and equipment for power plants. Russian arms exports to Brazil were estimated to be \$18.3 million (1.7%). Brazilian exports to Russia were composed of agricultural goods (94%): meat, sugar, coffee and tobacco. The decline in exports from Brazil was the result of a slump in machinery deliveries of nearly 14 times (aircraft, tractors, etc.), while exports of several agricultural products (pork, coffee, tobacco) increased.

In addition, several projects by Brazilian companies, such as Embraer or Marcopolo, in Russia were suspended because of the global crisis. The previously mentioned Sadia withdrew from the Russian market. Russian investments in Brazil also declined. Thus, 2009 was a difficult year for bilateral economic relations, and therefore the objectives set by Russia for economic relations with Brazil appeared too ambitious, as were those of the Brazilian government. However, the crisis also gave the opportunity for Russia to extend its exports of machinery and equipment to Brazil, but whether this trend will continue is an open question.

Moreover, the recent financial and economic shock has created strong incentives to develop geopolitical collaboration between Russia and Brazil. The gap in global balance of power between developed and developing countries has been narrowed by the global crisis, with increased leverage for emerging countries.

### **BRIC Summits: Perspectives for Russian– Brazilian Relations**

The BRIC acronym was invented in 2003 by Goldman Sachs to highlight the economic potential of Brazil, Russia, India and China, but not to suggest any coordination of national policies or collaboration between these states. The first president to mention such a cooperative initiative was Luiz Inácio Lula da Silva, who at the beginning of his presidency stipulated that Brazil would search for new partners among similar countries. The first BRIC summit was held in Yekaterinburg, Russia in June 2009 and was followed by a second one in Brasilia, Brazil, in April 2010 (the third one is expected in China next year).

The global financial crisis has led to increased collaboration between emerging countries, creating the possibility to increase their role in the global economy.

At BRIC summits, Luiz Inácio Lula da Silva stressed that BRIC should become the key element of the new world order. Similarly, Dmitry Medvedev underlined the significance of BRIC for the development of global economic processes, as well as the necessity for cooperation between BRIC countries. These summits have certainly led to a strengthening of relations between Russia and Brazil.

However, it should be noted that for both Russia and Brazil, economic ties, including investments, with China and India are greater than with one another. In 2009, Brazil provided only 1% of Russia's overall trade (China—8.4%, India—1.6%) and the Russian share in Brazilian trade was 1.5% (Chinese—13%, Indian—2%). In this light, there is not a huge economic background for collaboration, but, from another point of view, there are no significant obstacles to it either.

Thus, the search for geopolitical coordination in BRIC has also led to the development of coordination in economic fields. During the second summit, a memorandum was signed to enhance cooperation between BRIC banks in order to support strategic and high-tech projects. Among these projects, the development of the energy sector and aircraft industry in Brazil was considered. Moreover, in the framework of the summit in Brasilia, the first business meeting BRIC–IBSA, which includes South Africa, was organized aimed at boosting economic ties between the five countries.

### **The Latest Development and Trends in Russian–Brazilian Relations**

The intensification in links between Russia and Brazil surrounding BRIC summits was accompanied by a recovery in mutual trade in 2010. From January–July, bilateral trade was \$3 billion (50% growth in relation to January–July 2009). Taking into account this trend, a further increase in commercial relations in the second half of 2010 is expected. Moreover, new investment and delivery projects appeared on the agenda following the visit of the Brazilian president to Russia in May 2010.

According to the declarations during this visit, the two countries intend to develop their relations in the line with the objectives stressed at the recent BRIC summit. Among the issues discussed were the building of power stations in Brazil, the setting up of an aircraft-production factory in Russia, space and nuclear cooperation and the opening of a Gazprom representative office in Brazil. Moreover, the recent proposal at the BRIC summit to use national currencies in mutual commercial transactions was also noted as an essential objective. The presidents reiterated the aim to develop trade turnover between the two countries to a level of \$10 billion a year; however, deadlines for achieving this aim were not mentioned. Furthermore, during the visit several notable documents were signed—a plan of activities for creating a strategic partnership between Russia and Brazil, a program of scientific cooperation for 2010–2012, and, above all, two agreements concerning military cooperation, an area which seems set to be developed significantly in upcoming years. Therefore, Russian–Brazilian relations are developing according to their own pace, but progress should not be overstated, because links between the two countries, while improving, can still not be considered as strong.

To assess the long-term direction of Russian–Brazilian relations, it is necessary to highlight some recent events. Firstly, it should be stressed that the new Brazilian president-elect, Dilma Rousseff, will continue the current Brazilian foreign policy course, and thus Russia can expect to further develop its links with Brazil along existing tracks. Secondly, the recent G20 meeting in Seoul indicates that, although the positions of BRIC countries are not similar on all issues, BRIC will increase its voting power in the IMF, and continue collaboration within the framework of its summits. As a result, it is likely that political, as well as economic ties, between Russia and Brazil will continue to develop and will be emphasized by both sides.

#### *About the Author*

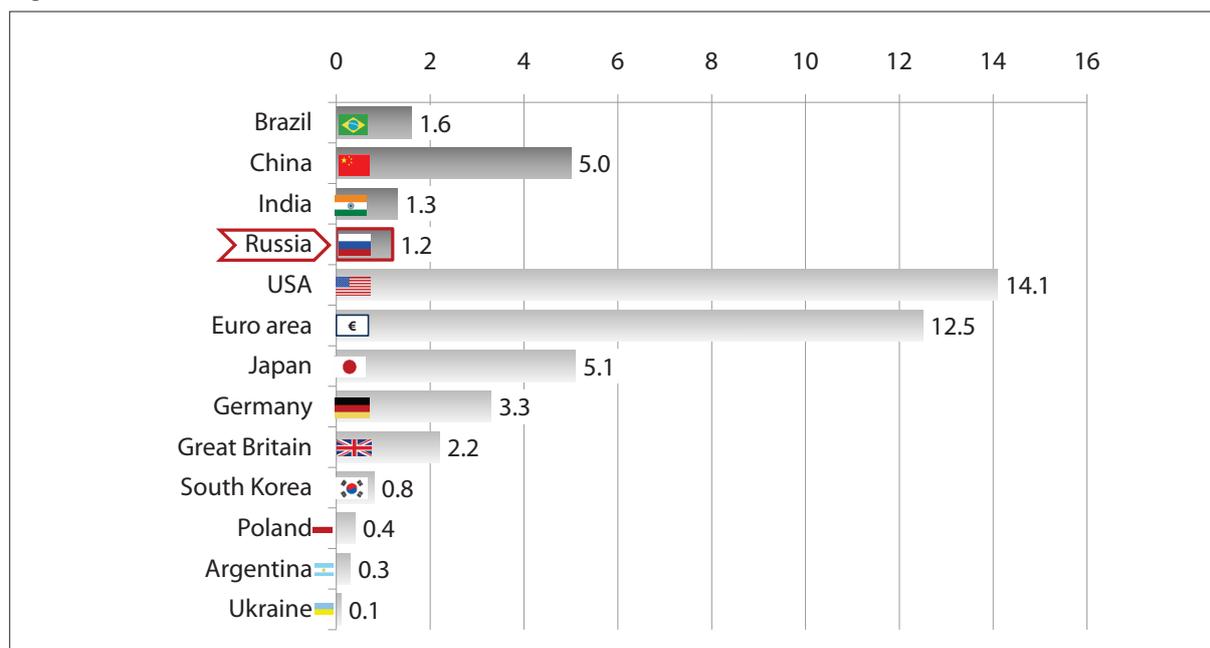
Dr. Alexandra Koval is a Senior Lecturer at the Department of World Economy, Faculty of Economics, St. Petersburg State University, Russia.

## STATISTICS

## The BRIC Economies in International Comparison

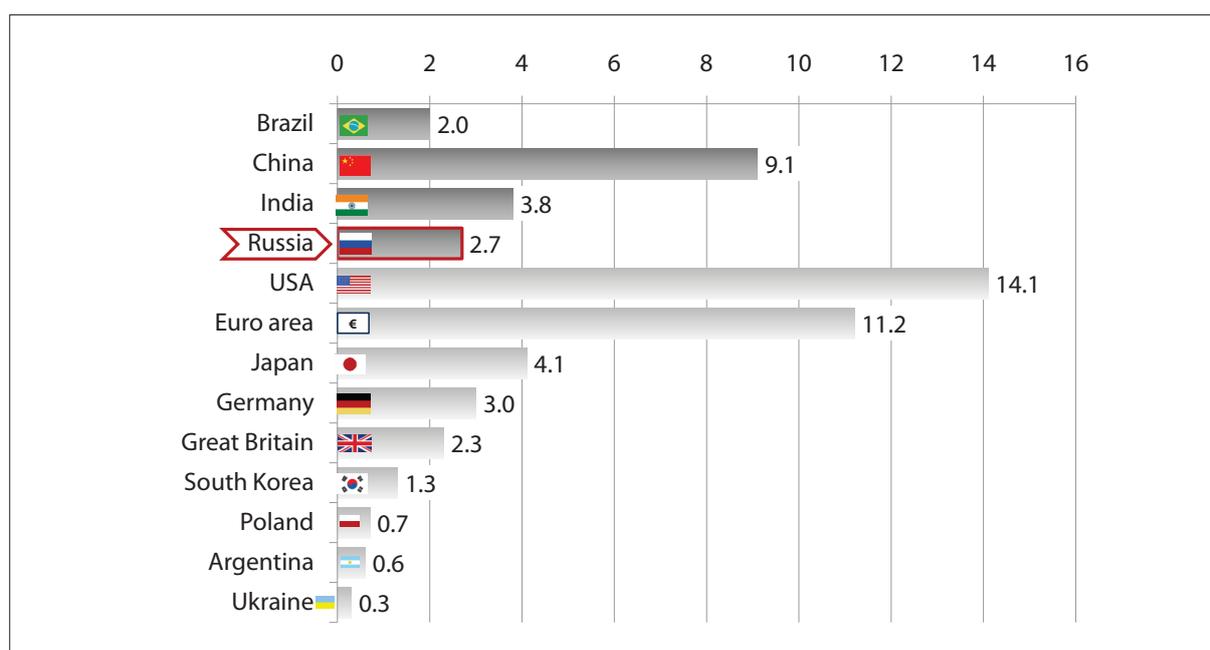
### Output and Population

Figure 1: GDP in bn USD (2009)



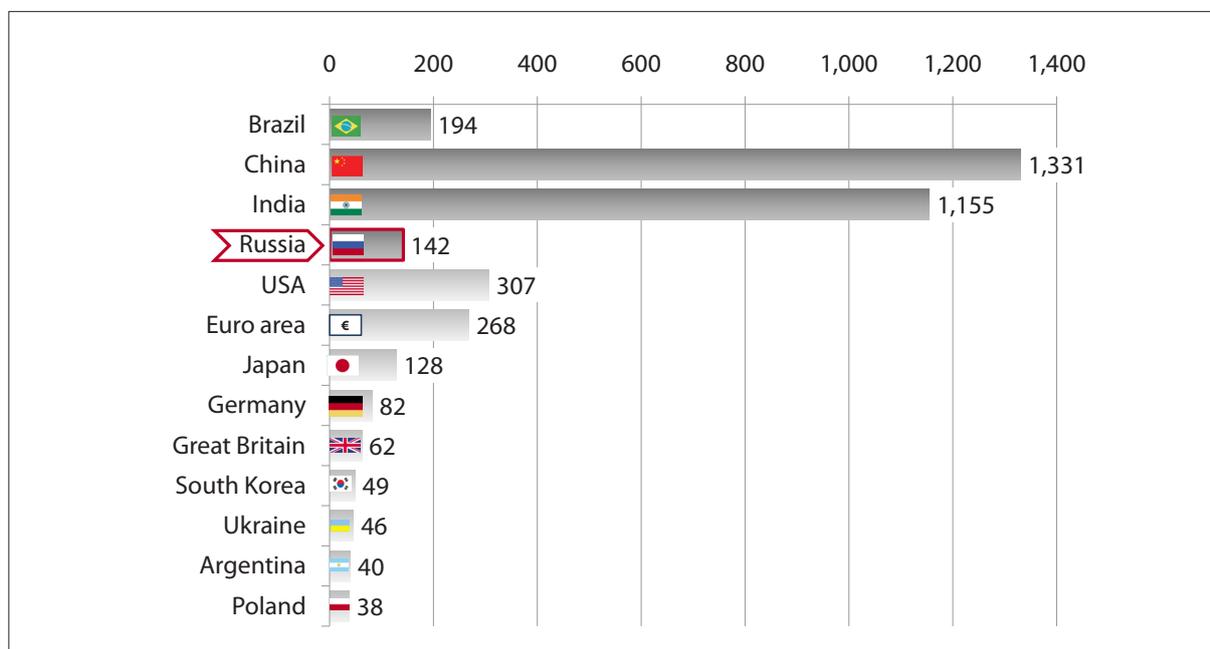
Source: World Bank, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>

Figure 2: GDP in PPP (2009)



Source: World Bank, [http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP\\_PPP.pdf](http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP_PPP.pdf)

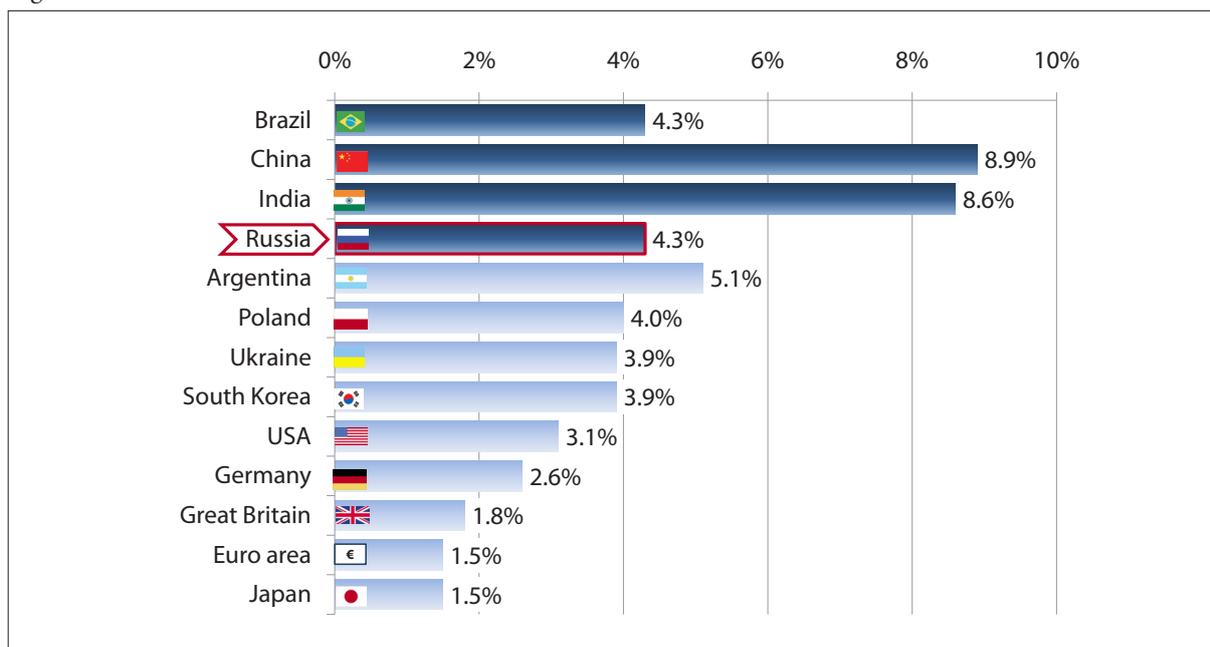
Figure 3: Population, Mln (2009)



Source: World Bank, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/POP.pdf>

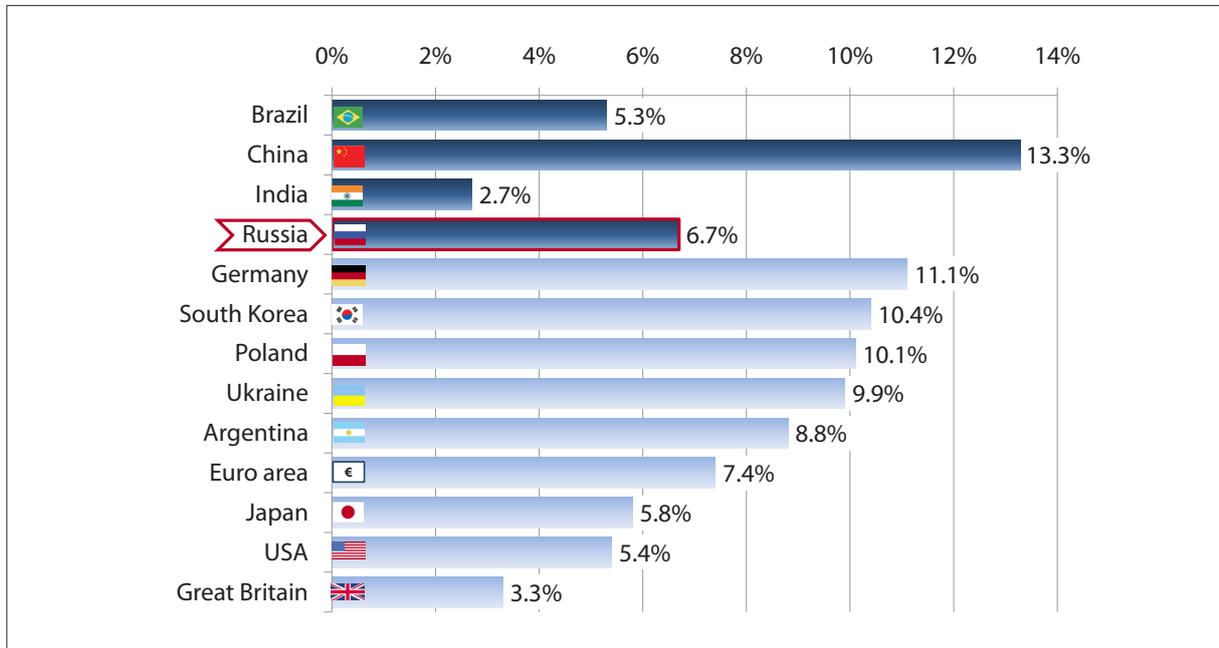
## Output and Employment—Recent Trends

Figure 4: GDP Growth Forecast 2011



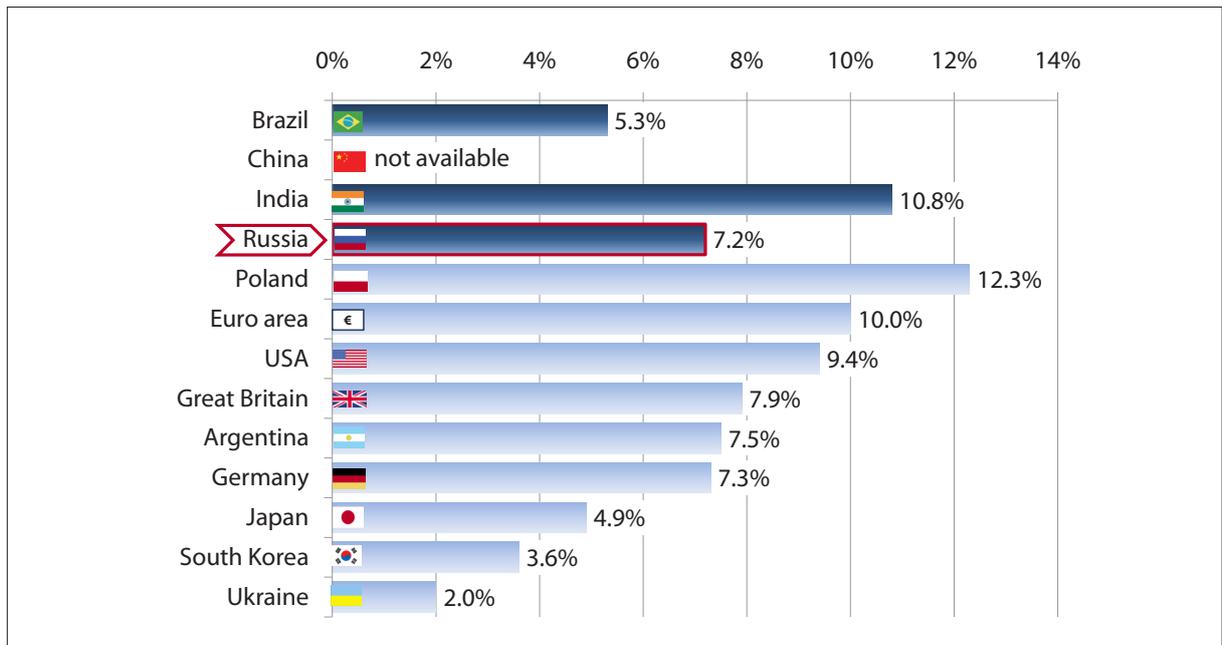
Source: The Economist, <http://www.economist.com/markets/indicators/>

Figure 5: Industrial Production, November 2010 Compared to November 2009



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

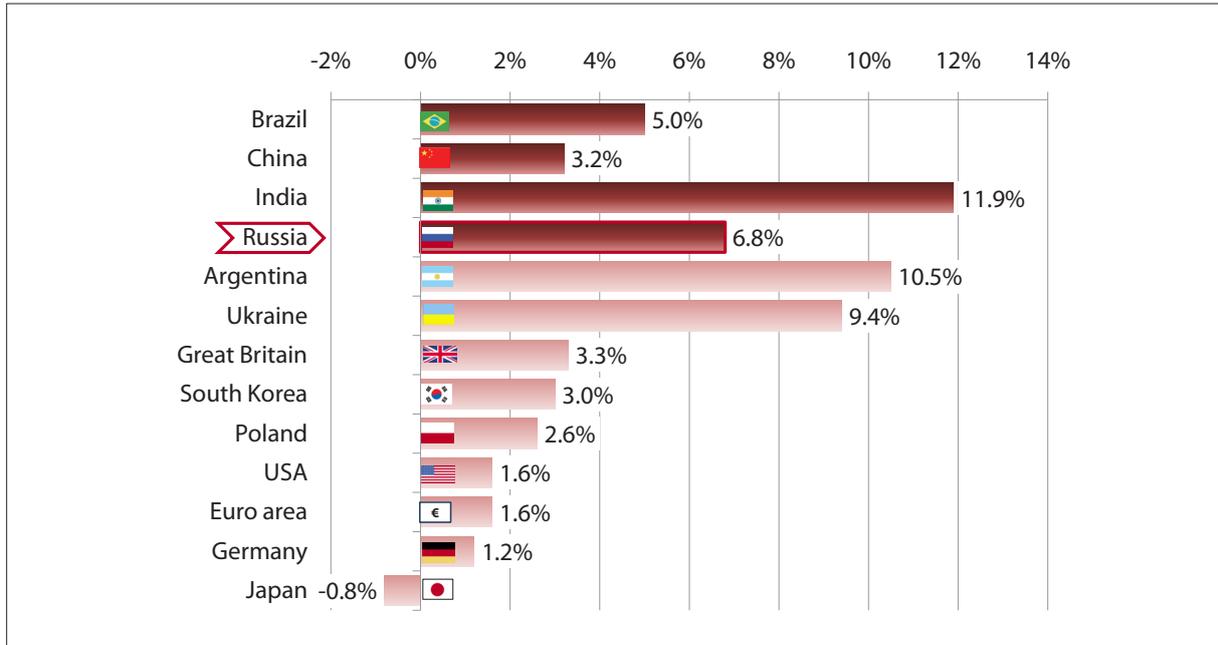
Figure 6: Current Unemployment Rate (National Definition)



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

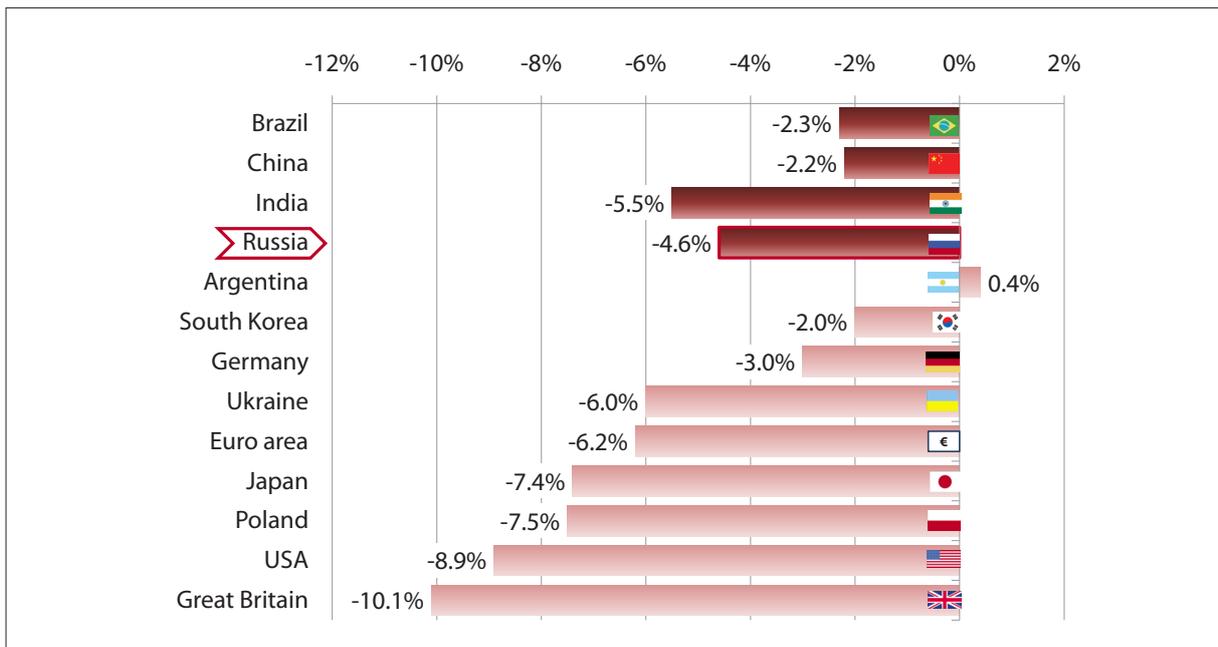
## Financial Indicators

Figure 7: Consumer Prices Inflation 2010



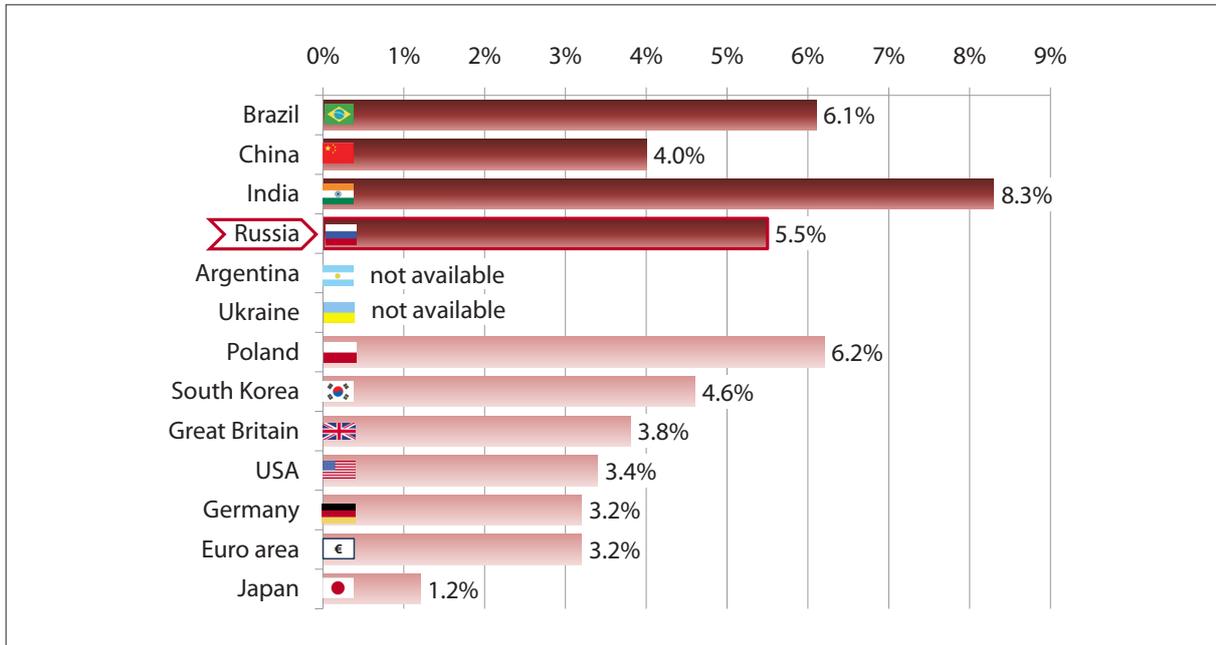
Source: *The Economist*, <http://www.economist.com/markets/indicators/>

Figure 8: State Budget Balance 2010 (as % of GDP)



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

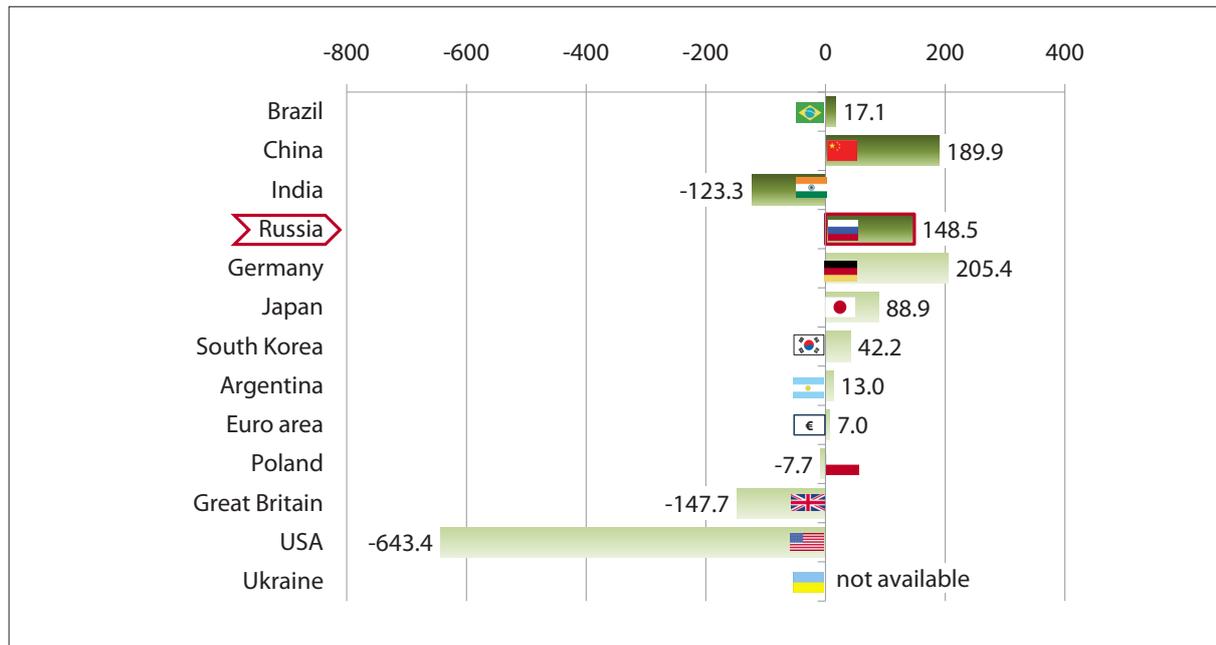
Figure 9: Interest Rates (10-Year Government Bonds)



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

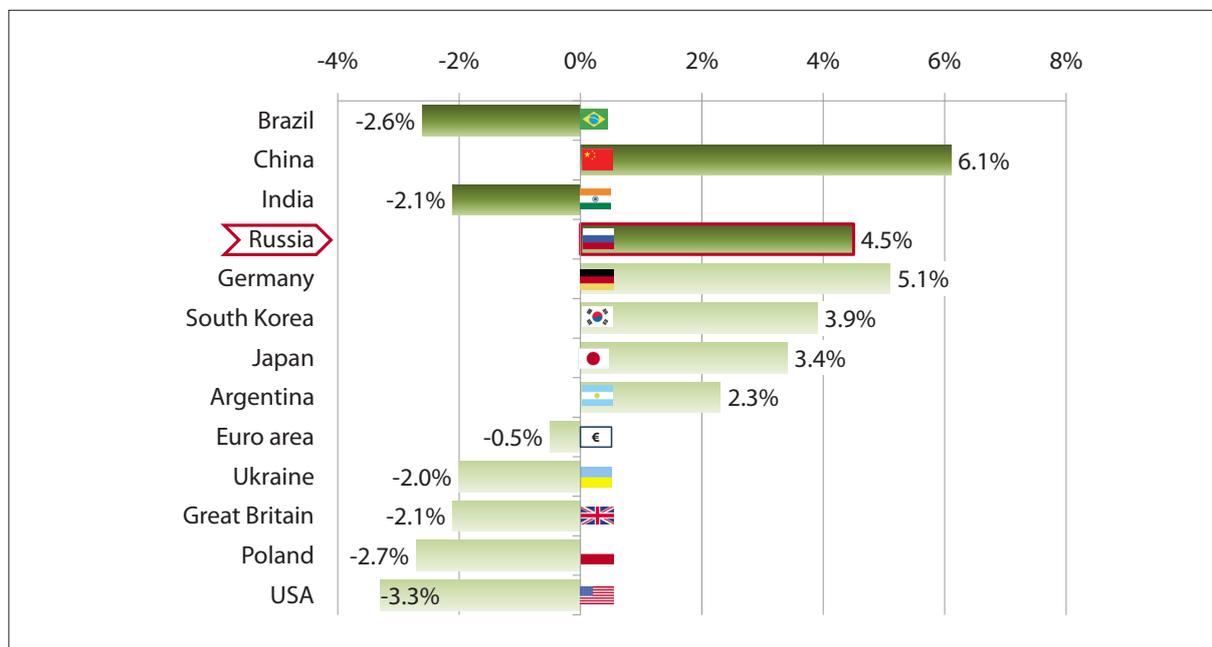
## Foreign Trade

Figure 10: Trade Balance (Merchandise Trade), Latest 12 Months (in bn USD)



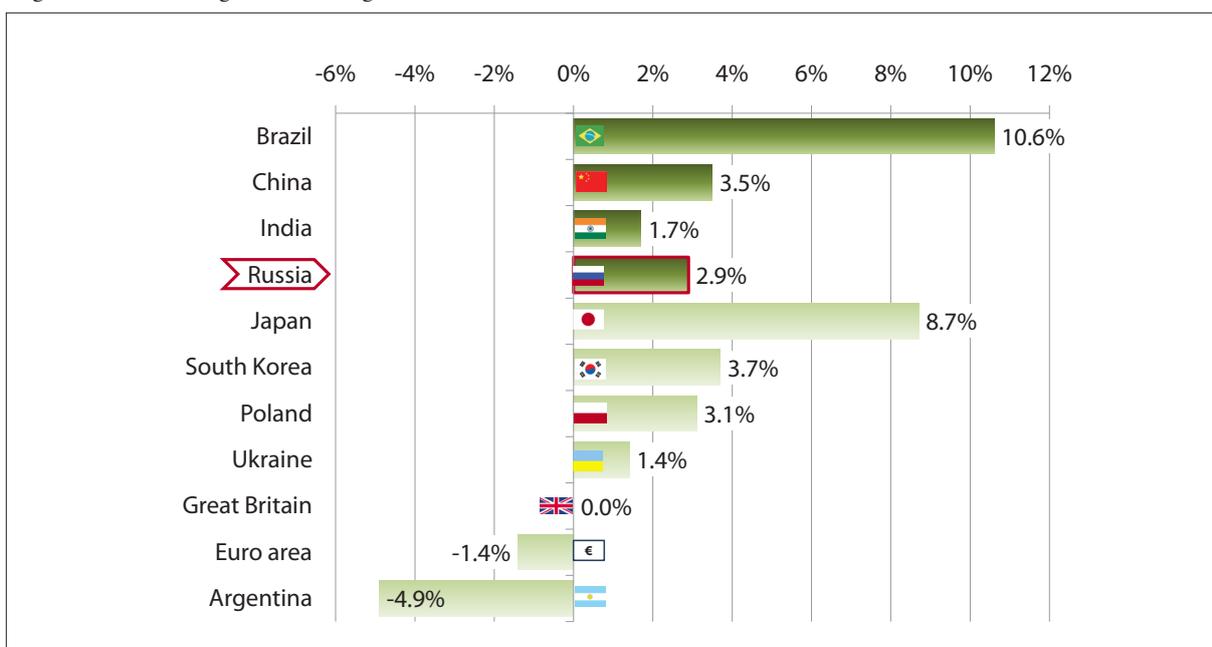
Source: *The Economist*, <http://www.economist.com/markets/indicators/>

Figure 11: Current Account Balance 2010 (as % of GDP)



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

Figure 12: Exchange Rate Change Towards the US-Dollar, Latest 12 Months



Source: *The Economist*, <http://www.economist.com/markets/indicators/>

**ABOUT THE RUSSIAN ANALYTICAL DIGEST**

Editors: Stephen Aris, Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

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In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and the integration of post-socialist countries into EU governance. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email services with nearly 20,000 subscribers in politics, economics and the media.

With a collection of publications on Eastern Europe unique in Germany, the Research Centre is also a contact point for researchers as well as the interested public. The Research Centre has approximately 300 periodicals from Russia alone, which are available in the institute's library. News reports as well as academic literature is systematically processed and analyzed in data bases.

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In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) in public policy degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS); offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students; and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

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The Institute for European, Russian and Eurasian Studies is home to a Master's program in European and Eurasian Studies, faculty members from political science, history, economics, sociology, anthropology, language and literature, and other fields, visiting scholars from around the world, research associates, graduate student fellows, and a rich assortment of brown bag lunches, seminars, public lectures, and conferences.

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**Resource Security Institute**

The Resource Security Institute (RSI) is a non-profit organization devoted to improving understanding about global energy security, particularly as it relates to Eurasia. We do this through collaborating on the publication of electronic newsletters, articles, books and public presentations.

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