

Reaching Out to BRICSAM: Economic Diplomacy and the Heiligendamm Process Conference Report

The Centre for International Governance Innovation

5-7 March 2008

Introduction

Transformation in world order has traditionally followed conflict among states. The established international institutional framework exemplifies this well, having resulted from the major conflicts of the twentieth century. Over the last decade, however, large emerging economies have begun to play increasingly significant and active roles in the global arena, ushering in a new power dynamic. This recalibration of authority has occurred without conflict through a process of skillful economic diplomacy practised by rising powers.

Brazil, Russia, India, and China (BRIC)¹ have been at the forefront of this activity, using their growing economic strength to advance a comprehensive diplomacy within international settings traditionally dominated by Western nations. Notwithstanding the usefulness of the BRIC model in economic terms, its shortcomings are clear when discussing forms of "soft power" and diplomatic prowess. Hence, the idea of BRICSAM, a wider grouping that also includes South Africa, ASEAN (the Association of Southeast Asian Nations)—especially Indonesia—and Mexico. A recent notable case of engaging the emerging economic powers started at the 2007 Group of Eight (G8) Summit of industrialized nations in Heiligendamm, Germany. There, Brazil, India, China, South Africa, and Mexico (B(R)ICSAM)² were invited to participate in an officials'-level, two-year outreach dialogue on substantive issues including innovation, investment, development assistance, and energy policy.

On 5-7 March 2008, The Centre for International Governance Innovation (CIGI) convened a workshop of experts in Cancún, Mexico, to discuss the economic diplomacy of B(R)ICSAM countries generally, and the

case of the Heiligendamm Dialogue Process (HP) in particular. Discussion centred on the underlying deficiencies of the G8 in terms of its legitimacy, efficiency, and representation within the international system. There was consensus that these inadequacies were rooted in the G8's self-selected membership that does not reflect current global realities, and that integrating the B(R)ICSAM group more deeply in the processes of the G8 could work to address the G8's structural and functional limitations. The workshop was part of the multi-year BRICSAM project at CIGI, which examines the emerging powers' role in the shifting global economic order and the corresponding need for change in international regimes.

The session was convened to provide candid and unrestricted dialogue among international affairs scholars; for this reason, Chatham House rules of confidentiality were in effect. A number of thematic issues related to economic diplomacy, the Heiligendamm Process, and democratization of global governance were central to the discussion; this report is structured along these themes and synthesizes the central points raised by the group.

Discussion Questions

Papers presented at the workshop outlined the scale and sustainability of economic growth, foreign policy objectives, and inherent or imposed constraints pertaining to each B(R)ICSAM country. Complementing the country studies, a set of papers outlined the perspectives of the G8's trans-Atlantic core (US, Germany, and Russia). One of the major gaps in research is the question of how structural, economic "bigness" translates (or not) into political and diplomatic influence. Therefore, while considering economic

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diplomacy and the Heiligendamm Process, participants were asked to address the following questions:

- Can the international architecture be recast without global conflict?
- Is economic strength used to pursue the interests of emerging powers in the international system?
- How does economic prowess translate to diplomatic skill?
- Would expanding membership address the G8's legitimacy and effectiveness dilemma?
- Is there evidence of cooperation or competition between the B(R)ICSAM countries when it comes to the enhanced dialogue with the G8?
- Are there signs of either individual or collective visions from the emerging powers about the nature of the international order?

Economic Diplomacy

Economic diplomacy can be conceived as the application of a nation's favourable economic conditions, by conferring rewards or penalties, toward particular foreign policy objectives. As an area of study, it explores the multiplicity of tensions between politics and economics, between international and domestic pressures, and between governments, business and civil society.³ Existing literature largely focuses on how economic diplomacy is practiced in trade-related negotiations; however, emerging economies are increasingly employing it in wider policy arenas. In recent years, economic diplomacy has been used by both state officials and corporate leaders in rising powers to leverage foreign investment and integration in global supply chains into diplomatic power on political issues.

CIGI's research in this area is an extension of the B(R)ICSAM project on the rising economies of Brazil, Russia, India, China, South Africa, ASEAN, and Mexico and the pathways by which each country has integrated into the world economy. The economic diplomacy project is operated in tandem with CIGI's project on Breaking Global Deadlocks (with the Centre for Global Studies), which over the last two years has assembled groups of former diplomats, practitioners, and G8 sherpas to discuss opportunities for G8 summit expansion and alternative ways to address major global issues.⁴

The concept of economic diplomacy invites the question: toward what? The simplest goal could be to attain status and access. The G8 has been traditionally reserved as a

discussion group for the world's wealthiest nations. However, since the 2003 Evian summit, small groups of countries have been consistently invited to sideline events to discuss specific initiatives. For example, at the 2005 Gleneagles summit, a group of African leaders was invited to discuss debt relief, and major emerging economies were invited to discuss climate change.

To accommodate these new participants the G8 has adopted a wider agenda. Originally centred on trade and finance issues within the club, in the post-Cold War era, and increasingly in the post-9/11 context, the G8 agenda has been expected to address issues that have been otherwise intractable for international institutions. The elimination of global poverty, access to health services, and confronting climate change are now running themes for this once insular club. The diplomatic toolkit has also been updated, with the G8 evolving beyond bilateral and multilateral initiatives within the group to engaging other institutions, non-member states, and civil society leaders. It has sponsored the establishment of new institutions, such as the Global Fund to Fight AIDS, Malaria, and Tuberculosis and championed regional trade and investment initiatives, such as the New Economic Partnership for African Development.

Distinctive Identities

At the head of the pack of the B(R)ICSAM countries are China and India, the world's most populous nations, which have both enjoyed great success in economic growth and development, domestic poverty elimination, and considerable achievement in international trade. Diplomatically, both countries are very active in trade deals, regional initiatives, cultural relations, and public affairs. Brazil has demonstrated itself to be an economic powerhouse in Latin America while also cementing its regional influence through peacekeeping operations in Haiti. South Africa is the most industrialized country in Africa and is able to use its economic leverage in the region. And while Mexico continues its integration with North America, its vision of itself as a bridge country between the North and the South has been clearly demonstrated over the past years. These factors demonstrate that B(R)ICSAM countries appear to have the presence and diplomatic potential to be active internationalists, if—as one workshop participant suggested—they are given proper mentorship.

A common perception among participants at the Mexico workshop was that the B(R)ICSAM present multiple personalities rather than a collective identity within sites of global governance, with one significant exception:

their association with the developing world. Although they are all growing economic powers that wield significant clout in the international system, each appears to remain—or wants to remain—considered a developing country. Although some suggest that China has created a new form of capitalism, its rural-urban divide still upholds its identity as a developing country. Meanwhile, Mexico formally shook off developing country status when it joined the Organisation of Economic Co-operation and Development (OECD), but it still believes itself to be a bridge between the global North and South.

Although each country has its own distinct foreign policy, political system, and objectives for international cooperation, they share some common features. Each has experienced episodes of rapid economic growth over the last two decades; each has experienced the successes and pitfalls of wealth creation alongside widespread poverty within its borders; and each confronts an international political and trading system weighted heavily to its disadvantage.

Moreover, each has a distinct diplomatic identity: China's diplomacy is full of confidence and patience (but not passiveness). India's strengths lie in strategic capability and large capacity, backed by its robust democracy. Being a nuclear power in a difficult region puts India in a unique position, demanding a balance between leadership and cooperation. Brazil, a long-standing champion of the global South, now with a charismatic leader, is becoming a significant player in energy, although its diplomatic strength is perceived as being relatively weak, especially when juxtaposed against Mexico with its highly skilled diplomats and its tendency to straddle the line between the North and South. Less impressive in economic terms, Mexico projects itself as the convener of meetings for the emerging countries. South Africa's identity is centred on its regional influence and on being a representative of the whole of Africa, a position that is, however, strongly contested within the continent. Finally, there is ASEAN, seemingly an outlier among the B(R)ICSAM countries, with no loud ambitions of becoming a global player. Yet, on both regional and diplomatic levels, it is an important addition to the grouping. Indonesia, the largest of the ten ASEAN nations and the world's most populous Muslim country, while not representative of the whole Muslim world (and especially the Arab Middle East), is an established, robust democracy that champions carefully selected issues, most notably climate change.

Situated between B(R)ICSAM and the G8, Russia has a foot in both worlds. Russia's feelings about the HP are at best ambiguous—at first resistant, it has recently shown itself more sympathetic. It is difficult to define Russia's stance on many global issues. Although the benefits for Russia in G8 expansion seem clear (less focus on the state of democracy if China joins is one example), its main concern appears to be its bilateral relationships with both the G8 members and the B(R)ICSAM countries.

The Heiligendamm Process

There remains no formal admissions process, nor economic or political prerequisites, for G8 membership. G8 historians among the workshop participants suggested that the Heiligendamm Process is a departure from the traditional operations of the group, because there has never before been a standing committee of non-members, let alone one with an issues-oriented mandate to develop mutual goal setting and policies. Without a permanent secretariat, the G8 proper is unable to shepherd this dialogue and ensure continuity between presidencies. Tasking the OECD with this function was a logical choice for workshop participants, but it is not without controversy. It is unclear what the OECD or the G8, for that matter, could gain from such a role. The OECD is one of the most legitimate international organizations in terms of its membership and member-wide rules of conduct. Notwithstanding its limitations and past failures in brokering international agreements, the OECD is deeply engaged with all the emerging powers, whether through its Enhanced Engagement process and joint working groups or through direct negotiations (as in the case of Russia) making this a comfortable place to nurture closer dialogue and partnership with new players. Conversely, the OECD may give the next presidencies of the G8, Japan and Italy (countries which have not embraced the HP), a convenient platform on which to push the initiative out of the public agenda.

Public statements of support from Germany, Britain, and France are counterbalanced with this resistance or lack of interest from Japan and Italy. The position of the United States is currently more ambiguous, but change is likely after the presidential elections in the fall of 2008. Public support for G8 reform and greater multilateralism in US foreign policy seems to exist within the US. The American foreign policy establishment has recognized the importance of joint initiatives and discussions with the emerging powers in many issue areas, as evidenced

in meetings on health (the avian flu) and the environment (the meeting of the major carbon emitters in September 2007).

Embracing Incrementalism

Learning from the experience of the L20 project, participants recognized that compositional changes in the G8 will not come from a "big bang" approach and that incremental advances are the only politically tenable avenue for membership reconfiguration.

Russia is the one BRICSAM country that has already broken into the G8 club. However, participants agreed that when considering enlargement, the case of Russia complicates the discussion. First, Russia is problematic in the way it attained membership without a formal mechanism; and second, Russia joined without possessing the democratic foundations and political like-mindedness of the other G8 members. Having recently hosted its first summit, in St. Petersburg, it is still seen as the junior member of the club and a country in transition. In this light, the argument of common identity among G8 members does not hold. If Russia can join under these conditions, why keep China out?

Although the B(R)ICSAM countries are the most likely candidates for G8 membership by virtue of their economic power, other candidates could be considered using a different set of criteria. For example, in the discussions of ASEAN, workshop participants lamented that a Muslim country—such as democratic Indonesia—was not among the HP outreach group. Additionally, if the pre-condition for G8 membership was to be economic performance, a question raised by many participants was whether growth rates in the B(R)ICSAM countries will be sustainable over the long term. What happens if these economies underachieve? Can they still advance their diplomatic clout? A globalized economy has led to their rise and could equally stall their continued development. The slowdown of the Asian Tigers in the late 1980s was a common reference here, suggesting that emerging economies are dependent on stable economic conditions in the West for trade and investment to sustain their growth. South Korea, at its highpoint in the mid-1980s, was expected to become a major power in the ways that Japan had become previously, yet it has remained on the diplomatic margins since its economy peaked.

Participants accepted, then, that incrementalism provides for a slow but reasoned widening of the group. Beyond summit side meetings, the Heiligendamm Process is the

first test of incrementalism in action, and the substantive HP working groups have begun an active consultation with emerging powers on pressing global issues.

A major benefit for G8 cooperation with the B(R)ICSAM countries is their capacity to act as regional hubs and bridges to the global South. An invitation to the Heiligendamm Process can be seen as a success for these countries—a sign that their global presence has been recognized. However, as participants noted, joining the club of wealthy industrialized nations could compromise the legitimacy of the emerging powers as champions of a Southern agenda. Some smaller developing nations already question whether the emerging powers understand or respect their positions, pointing to their neo-colonial behaviour—for example, China's behaviour in Africa.

Democratizing Global Governance

Efforts to "democratize" institutions of global governance have proceeded by engaging as equals the nations most affected by specific issues in the decision making process. The early outcomes of the 2007 Heiligendamm summit illustrate both the promise and the limitations of the G8 in this respect. By developing an outreach dialogue with emerging powers, this elite club has shown its willingness to consult a wider constituency in its policy declarations. However, as one participant put it, this initiative has gone only halfway towards treating the outreach group as full partners. The HP itself started with considerable discontent on the part of the B(R)ICSAM countries because they were not consulted prior to the summit and were not included in setting the agenda.

Raising Legitimacy?

Workshop participants generally viewed the current G8 framework as a relic of a past era and questioned whether the G8 should be, or is capable of becoming, the leading body of modern global governance. Whatever the number of countries around the table – 8, 13, or 20 – the G8 remains an elite club with an unconstrained agenda that lacks formal mechanisms for policy declaration, administration, or compliance. The question of the G8's legitimacy naturally extends beyond its composition to its operative functions; however, the consensus within the group was that by including a wider set of countries the G8 can increase its legitimacy to address matters of global import.

In this spirit, one participant argued convincingly that compositional changes must occur before functional issues can be addressed, as the triangle of legitimacy stands on a weakened foundation of effectiveness and representation, in which membership composition is the major problem. Through the Heiligendamm Process, the G8 has shown signs of embracing an expanded membership, which its supporters hope will reinforce its legitimacy and efficiency in a new international architecture. Thus, the HP seems to address the "democratic deficit" of the G8 while promising improved delivery of its global initiatives.

Questions surrounding the extent of the membership on offer (equal partner vs. part-time invitee) and the actual interest of the outreach group to participate within the club structure animate both the internal G8 debate on composition and the discussions within and among the B(R)ICSAM countries.

Improving Effectiveness?

The G8 is often criticized for its lack of deliverables and measurable outcomes. It has failed to deliver on many of its major financial commitments, and stated policy initiatives. Widening the group's membership, one school of thought submits, will increase accountability among members, encouraging greater compliance. A common agenda and agreed deliverables stemming from an open dialogue in a more inclusive setting will improve not only the legitimacy of the process but its effectiveness as well. Whatever the format of the discussion, or however strong the opposition to the process, issue-oriented discussions, such as those around climate change, seem to be the most productive.

Agenda expansion, in fact, has created a situation in which it is difficult for host leaders to present a strictly economic focus for the annual meeting. One participant pointed to the shift in German Chancellor Angela Merkel's priorities for the 2007 agenda, from inter-G8 financial transaction regulation to addressing global poverty, after taking a meeting with celebrity activist Bob Geldof. Additionally, many of the group's perceived successes are seen as relating to development rather than trade; debt relief to impoverished nations and global health initiatives are two examples.

It appears that agenda expansion will be the preferred way of engaging non-G8 members during the Japanese presidency. Rather than inviting the outreach group to the summit in Hokkaido, a wider invitation has been extended to the world's major CO2 emitters to engage in dialogue on climate change. Indeed, any measure of

tackling climate change and environmental protection is impractical without the participation of major CO2 emitters (such as India or China) or leading alternative energy suppliers (such as Brazil).

The lion's share of G8 decision making occurs at the ministerial and sherpa levels. Participants suggested that it will be at these levels that membership expansion will be most felt, because creating consensus among 13 competing interests is more difficult than it is among eight. However, these debates are important to have and may lead to more effective public policy.

Divergence or Convergence?

One participant advanced the notion that the world stands at a crossroad of a new international framework, where industrialized and emerging economies have the opportunity to converge or diverge. Not constrained to traditional sites for increased power, B(R)ICSAM countries have a number of options: strictly South-South cooperation as a balance to the G8 (in a number of configurations that could include the G5, IBSA, CIBS, or the G20 of the WTO); regional initiatives where the emerging powers can easily assume their role as regional leaders (for example, the Shanghai Cooperation Organization); or issue-specific initiatives, such as energy cooperation via non-competition in energy acquisitions between China and India, a club of major CO2 emitters, or ad hoc initiatives regarding health issues.

As noble as the ideals of democratizing global governance are, it is not easy to determine the best way of achieving this goal. In fact, an important question remains to be answered: should the emerging powers join the clubs of the past, which are dominated by Western interests, or would they be better off creating their own? Some national observers within these countries are advocating ever more strongly for the creation of a parallel and distinctive leaders' summit. The extent to which the B(R)ICSAM countries are willing and able to take on insider status will ultimately determine not only the relevance of the G8 but also the capacity of B(R)ICSAM to push for inclusivity in the global political architecture.

Conclusions

The international architecture of the twenty-first century must give emerging economies pride of place. What are still termed "developing" countries now account for approximately 30-40 percent of world GDP growth over the past five to seven years and have the most dynamic economies. With their large foreign-exchange reserves, these once impoverished countries are buying ever greater amounts of US treasuries and, in a way, sustaining the American economy, even as it slides further into recession and debt. Even though income per capita is still low and will remain much lower than in the industrialized countries (on a GDP PPP basis, which makes cross-country comparisons possible), the B(R)ICSAM countries are among the largest economies in the world: Brazil and Russia are almost equal to the UK and France and larger than Italy; Mexico is larger than Canada; China is second only to the US; and India follows Japan.

One major conclusion of this study is that the strategy of engagement is vital—the participants agreed that G8 outreach can only succeed if it is built on the concept of 13 partners, not two groups on opposite sides of the table. No longer should relations between these states be polarized as between the East and West, North and South, rich and poor, and so on. To conceptualize the Heiligendamm Process, a new mode of analysis must be adopted—one that does not fit the traditional lines of division of countries and issues. In all aspects, the challenges of globalization require new and innovative approaches, both in terms of composition and in the function of the institutions.

Indeed, as is increasingly recognized, the under-representation of the global South in the G8 erodes its ability to set priorities for the international community and detracts from its capacity to mobilize governments to broker solutions to pressing global problems. Its inability to deliver effective results, whether economic or foreign-policy-oriented, has added to the tensions surrounding the G8's democratic deficit. This successful workshop explored a wide set of issues, reflected in this report, concerning the options for a way forward beyond the traditional G8 mechanisms and composition. With its term expiring after the 2009 Italy summit, much of the onus to determine the future of G8 composition will fall to the Canadians, as the 2010 hosts. Whatever the final result of the Heiligendamm Process, its experience provides lessons to be learned for and parallels to be drawn from other reform initiatives of global and international governance institutions.

Endnotes

- ¹ First identified by Goldman Sachs in 2003.
- ² We recognize that Russia is already a member of the G8, hence its role and position in the BRICSAM grouping is limited in this context.
- ³ The most comprehensive examination of economic diplomacy appears in Nicholas Bayne and Stephen Woolcock, eds, (2007) *The New Economic Diplomacy: Decision-Making and Negotiation in International Economic Relations*, 2nd Ed. (Aldershot, UK: Ashgate).
- ⁴ This two-track approach draws from the extensive CIGI-CFGS project on the proposed Leaders' Twenty (L20) summit which culminated in the publication of John English, Ramesh Thakur and Andrew F. Cooper, eds, (2005) *Reforming from the Top: A Leaders' 20 Summit* (Tokyo: United Nations University Press).

Related Publications

Emerging Powers in Global Governance: Lessons from the Heiligendamm Process

Andrew F. Cooper, Agata Antkiewicz, eds.
Wilfrid Laurier University Press
October 2008

The Logic of the B(R)ICSAM Model for G8 Reform

Andrew F. Cooper, *CIGI Policy Brief #1*
May 2007

Economic Size Trumps All Else? Lessons from BRICSAM

Andrew F. Cooper, Agata Antkiewicz,
Timothy M. Shaw, *Working Paper #12*
December 2006

BRICSAM and the Non-WTO

Agata Antkiewicz and John Whalley, *Working Paper #3*
October 2005

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Who We Are

CIGI was founded in 2002 by Jim Balsillie, co-CEO of RIM (Research In Motion), and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario. CIGI gratefully acknowledges the contribution of the Government of Canada to its endowment Fund.

Le CIGI a été fondé en 2002 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario. Le CIGI exprime sa reconnaissance envers le gouvernement du Canada pour sa contribution à son Fonds de dotation.

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