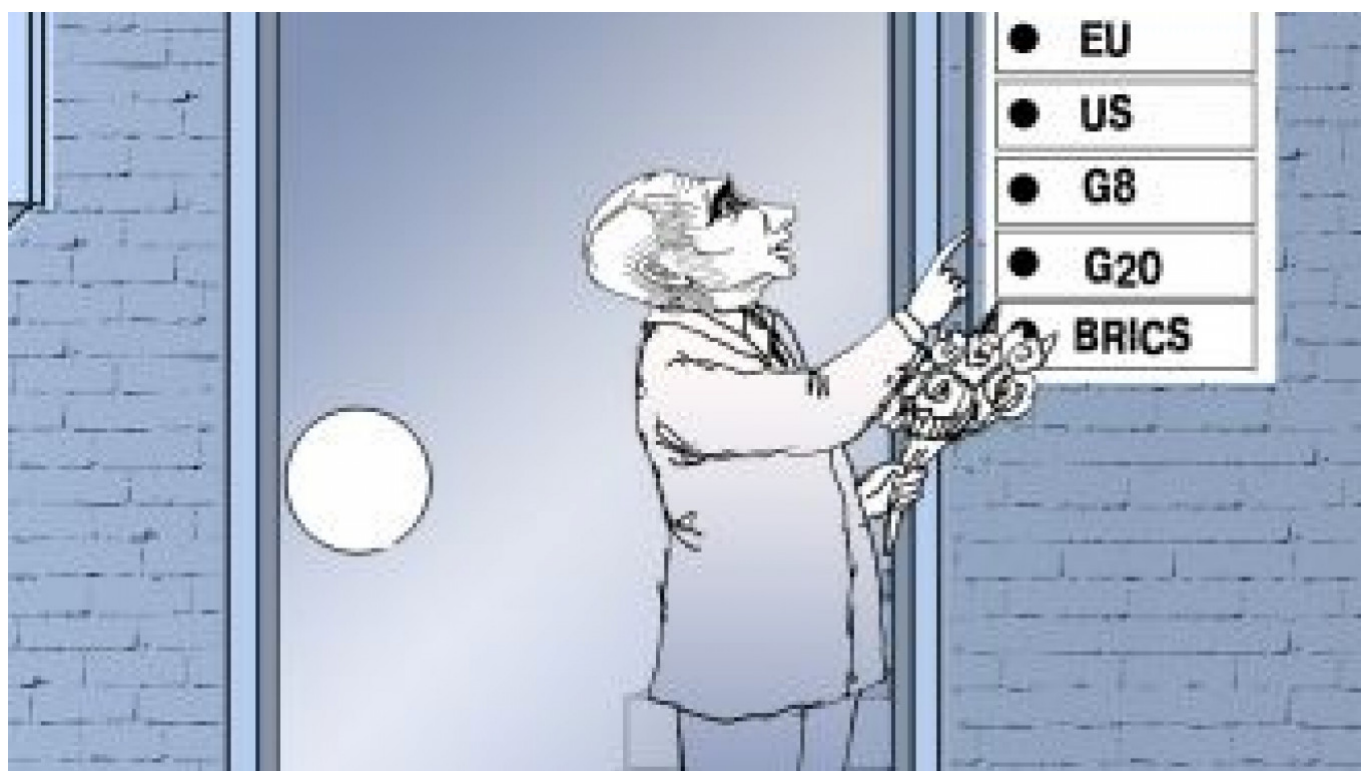


Why BRICS Is No Good for Russia

By [Anders Aslund](#)

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Since the Soviet collapse, Russia has tried to join all major international groups. It has opted for the Group of Eight (G8), the BRICS (Brazil, Russia, India, China and since 2011 South Africa), and the Group of 20 (G-20). But it has not been very successful in any of them and needs to rethink its priorities. A closer relationship with the European Union would make most sense.

The great ambition of both Mikhail Gorbachev and Boris Yeltsin was to join the G8. Russia's president has participated in every annual G7 summit since July 1991, when Gorbachev was invited to meet the G7 leaders after their summit in London. While the organization has evolved from the G7 into the G8, with Russia as a member, disappointments have been persistent because Russia nevertheless has been kept at bay. In 1994, Yeltsin was permitted to attend half of the summit and, in 1997, the whole summit. But only in 2003 was Russia allowed to participate in the preparation of all the documents. In 2006, Russia hosted the G8 summit in St. Petersburg. But even today Russia remains excluded from G7 meetings of finance ministers and central bank governors.

In the early 1990s, the G7 considered Russia democratic but economically too weak to qualify

as a full member. In the 2000s, Russia advanced economically, but it was no longer recognized as democratic. According to the International Monetary Fund, it was the sixth-biggest economy in the world in purchasing power parities and ninth-biggest at current prices in 2011. However, Western desire to show goodwill to Russia has faded.

The G7 is no longer a magnet either. Its fiscal mismanagement has been exposed, and it has been close to stagnation since the 2008 global financial crisis. Its pretense to master the world economy no longer holds, and G8 summits have accomplished nothing in the last decade. Russia has little reason to accept any further humiliation from the G7.

In its search for a more relevant partnership, Russia was drawn to BRIC, a term invented by Jim O'Neill of Goldman Sachs in 2001. Its attraction lay in big emerging economies that were growing much faster than the G7. In addition, the countries were all fiscally responsible. BRIC had an air of modernity and dynamism, while the G8 was becoming increasingly stagnant.

BRIC also had a negative attraction to the Russian leaders. As Russia became more corrupt and authoritarian during Vladimir Putin's second presidential term in 2004-08, Putin found it preferable to deal with China, which was almost as corrupt and even more authoritarian. In July 2009, Russia organized the first stand-alone BRIC summit in Yekaterinburg.

But Russia's disappointments with BRIC had already started. As former Deputy Foreign Minister Anatoly Adamishin once said: "Russia has refused to become a junior partner of the United States. Instead, it has become a junior partner to China." Russia lost weight in comparison with the far more populous states of China and India and even to Brazil.

During his second term, Putin spoke ever more favorably about China. But everything changed with Russia's August 2008 war with Georgia. Inexplicably, Putin had expected support from China, even though hostility against all separatism is a tenet of China's foreign policy. At a Shanghai Cooperation Organization summit immediately after the war, China opposed Russia's forthcoming recognition of Abkhazia and South Ossetia and encouraged Central Asian countries to adopt the same position. Suddenly, Putin's public praise of China ended.

The global financial crisis brought further disgrace. In September 2008, Putin called Russia a "safe haven" in the crisis, not realizing how badly the falling commodity prices and the international financial exposure of Russia's corporate sector would hit his country. Russia's gross domestic product fell 7.8 percent in 2009, more than any other G-20 economy, while the Chinese and Indian economies boomed and Brazil's economy just stagnated.

Nor did membership in the G-20 offer Russia any advantages because it was a marginal member of the G8 and the least populous member of BRIC. In an undiplomatic turn, then-British Prime Minister Gordon Brown treated Russia humiliatingly as a second-rate country at a G-20 summit in London in April 2009.

Yet Russia saw a great improvement in its international relations between November 2008 (when the Georgia war aggression started fading away) and September 2011 (when Putin announced his return to the presidency). The "reset" with the United States led to several new bilateral agreements, notably the New START Treaty. Russia improved its relations with many countries, including Poland and the three Baltic states. In December 2011, Russia was accepted

into the World Trade Organization.

Many of these achievements were due to the diplomatic nimbleness of President Dmitry Medvedev.

Putin, however, is more known for crude insults, and he turned to a trademark anti-American campaign in his bid for a third Kremlin term.

It would be a pity if Putin wastes Russia's foreign policy potential. The country has plenty of leverage in international relations, notably because it has the largest area of any nation, the biggest energy production, nuclear arms and a big economy. But what does the Russian government want to gain from its foreign policy? The country does not face any significant external security threats for the foreseeable future.

Market access is important, and Russia trades primarily with Europe. The key to a peer relationship is identification. As Putin said last October, the Russian people are "steeped in European culture," and he declared his intention to "establish a free trade zone with the European Union." Russia's key need is the institutional development of good governance and rule of law.

The EU knows how to build such institutions. It has done so in the 10 newest eastern EU members through a technique of twinning the state agencies of old and new EU members. Russia can benefit from EU skills. The EU is open to a free trade agreement with Russia with substantial institutional contents. It is also Russia's dominant export market. An agreement on visa-free travel is on the agenda and would be enormously popular with Russians.

As a highly developed country, Russia needs to aim higher than the BRICS, which is actually far less developed in most regards. It should focus on the EU as a more ambitious peer group. Yet, Russia is and needs to remain more dynamic than the EU because it remains economically less developed.

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