

## SUMMERTIME IN UFA: WHAT TO EXPECT FROM THE BRICS AND SCO SUMMITS

AMY STUDDART

The Russian city of Ufa is coming up on summit season. From July 7 to 10, the city will play host to both the BRICS and Shanghai Cooperation Organization (SCO) summits. Until last year, the BRICS summit—a meeting of Brazil, Russia, India, China, and South Africa—had largely been seen as a geopolitical curiosity, useful for relationship building, perhaps, but with little tangible cooperation to point to. That changed at the 2014 BRICS summit with the establishment of the New Development Bank, better known as the BRICS bank. The same may now be happening with the SCO, which will become increasingly important if China is to make good on its **One Belt, One Road** strategy. While the jury is still out on the long-term significance of these institutions, here are a few things to watch out for at this summer's summits:

1. The BRICS have been discussing creating an alternative to SWIFT, the Belgium-based secure messaging system that facilitates cross-border financial transactions. In 2012, the United States and Europe worked with SWIFT to exclude Iranian financial institutions from the system. In 2014, a group of U.S. senators suggested the same could be done to Russia. As sanctions become a more prominent instrument of economic statecraft, some members of the BRICS are concerned about the extent to which the United States and Europe control the system. This is a more present threat to Russia than any of the other BRICS, but the others are nonetheless likely to be supportive of the initiative. India, Iran's second-biggest oil customer after China, was forced to find workarounds to ensure payments for its imports, and—as the **development of the China International Payments System (CIPS) has already demonstrated**—Beijing is keen to protect itself against future threats should relations with the West go south.

2. Russia has invited Greece to become the sixth member of the New Development Bank. Greek prime minister Alexis Tsipras described the invitation as “a happy surprise.” The prime minister was presumably especially happy with the terms: no need to pay in meaningful capital upfront, but Greece is welcome to borrow up to \$10 billion immediately. There is little mystery as to the motivations in Moscow or Athens, but one has to wonder why the other members of the bank would agree. It hardly seems financially sensible to tie a significant new global economic institution to a country in distress before the bank has even installed its first president. The invitation could just be a bluff, allowing Greece to gain leverage in its negotiations with Europe and giving Russian president Vladimir Putin an opportunity to see Europe's leaders squirm.

3. The Shanghai Cooperation Organization is also expanding. India and Pakistan's accession will be processed “soon.” That means a formal announcement is likely at the summit. The two South Asian countries will be the first new members outside of Central Asia to be admitted since the organization was founded in 1996. With India and Pakistan in, all of the most relevant actors to Beijing's One Belt, One Road strategy will be part of the SCO, making it an ideal negotiating forum for China's investment plans.

4. Russia is becoming more comfortable with the Chinese suggestion to establish an SCO development bank.



### Upcoming Events

- July 1: Statesmen's Forum: Gunnar Bragi Sveinsson, Icelandic Foreign Minister (CSIS)
- July 5: Deadline to apply for Women's Initiative for Summer Empowerment (WISE) Program (Tokyo)
- July 7: BRICS Finance Ministers Meeting (Ufa, Russia)
- July 9–10: SCO Heads of State Council Meeting (Ufa, Russia)
- July 9: The 7th U.S.-China Strategic & Economic Dialogue: Process, Achievements, and the Road Ahead (CSIS)

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Moscow had quietly resisted the bank, first proposed in 2010, in large part because of Russia's long-term concerns about growing Chinese clout in Central Asia. Instead of establishing a new bank, Moscow suggested that Beijing should contribute to the Russian-led Eurasian Development Bank (EDB). An SCO ministerial in 2014 saw a change of heart. Russian foreign minister Sergey Lavrov suggested that Russia could see the benefit of such an institution, with a later suggestion emerging that the EDB form the basis of the bank. There have since been discussions about using such a bank to build a \$30 billion pipeline from Russia to India.

5. Two things will happen in the week before the summits begin: the members of the Chinese-led Asian Infrastructure Investment Bank (AIIB) will formally sign the bank's much-anticipated articles of agreement, and the first president of the BRICS bank, KV Kamath, will take his post. These developments will mean that discussion about concrete NBD- and AIIB-funded projects can, and almost certainly will, take place at the summits.

Despite all of these developments, the summits will not be entirely smooth sailing. The factors that have traditionally limited cooperation are still present: by and large, the countries involved are united by neither values nor interests, and—in several cases—are actively engaged in territorial disputes. As a result, both the SCO and BRICS meetings generally involve a great deal of navigation around complex geopolitical and economic tensions. The Central Asian states, **and Kazakhstan in particular**, simultaneously see dangers and opportunities in China's increasing presence in the region. Earlier this year, Indian foreign secretary Subrahmanyam Jaishankar

dismissed Beijing's overblown rhetoric about its regional strategy, saying "our understanding to work together on this [Bangladesh–China–India–Myanmar economic] corridor predates this One Belt, One Road. Whether someone thereafter moves it from this file to that file is their internal business." And, as evidenced by the caution around the SCO development bank, the Russia-China relationship has often been characterized more by competition than cooperation.

However, there are growing incentives to pursue what the Chinese call "win-win" cooperation. India might find the geopolitics of One Belt, One Road jarring, but it is happy to benefit from Chinese funding for pipelines, roads, and railways. The establishment of an alternative to the SWIFT system might not be as much of a priority for Brazil, say, as it is for Russia and India, but it has nothing to lose from going along with an initiative that it may one day find useful. Russia's crumbling economy and battles with the West mean that Moscow now benefits more from expanded cooperation with Beijing than it does from competition, paving the way for China to move into areas that were previously centers of Russian influence. All of this, combined with China's growing international ambitions, will mean that, while it remains to be seen how much these institutions will reshape the global order, the July summits are likely to generate more by way of concrete outcomes than we have come to expect. ■

*Amy Studdart is deputy director and fellow with the CSIS Simon Chair. **Global Economics Monthly** is published by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author. © 2015 by the Center for Strategic and International Studies. All rights reserved.*

### Simon Says...

Six hours away from Ufa, in the nearby city of Samara, Mickey Mouse has been fined 2,000 rubles (\$37) for distributing leaflets encouraging fellow Russians to choose an honorable patriotic death in Ukraine over alcoholism and liver cancer. The crime has been described by the Russian authorities as "extremism." It seemed that the Samaran Disney character impersonator association didn't get the memo about how Russia isn't *actually* fighting in Ukraine.

Meanwhile, *United Passions*, the famed FIFA-funded documentary, which grossed a total of \$607 at the U.S. box office, turned over 247 times that amount in Russia. *Passions* was described by FIFA as "open, self-critical, and highly enjoyable" and by the *LA Times* as a "squirm-inducing heap of propaganda." Its popularity in Russia may have something to do with the fact that the country, famed for its willingness to engage in FIFA-style methods in all of its economic activities, is hosting the 2018 World Cup. Ufa won't be getting a new stadium ahead of the games, but Samara will. Better start rounding up those Mickey Mouse patriots. ■