

THE CHANGING DYNAMICS OF THE G7, G20 AND BRICS

INFORMAL MULTILATERAL COOPERATION IS INCREASINGLY
IMPORTANT IN AN ERA OF STRATEGIC COMPETITION

Juha Jokela & Alana Saul



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- Increasing strategic competition among major powers has had a negative effect on the efficacy of formal multilateral cooperation. This has also been reflected in informal forums such as the G7, G20 and BRICS. Yet some new dynamics have emerged.
- Since Russia was excluded from the G8 in 2014, the G7 has become a key forum for Western cooperation. Russia's full-scale invasion of Ukraine has further geared the group towards a stronghold of Western economies and democracies.
- The BRICS group has continued to meet at leaders' level, and has consolidated its position. Despite variation in its members' interests, the group aims to balance the G7, and its importance for China and Russia has been elevated.
- Currently, the G20 constitutes a forum in which strategic competition can potentially be managed. Along with the G7 and BRICS countries, other powers play an increasingly notable role. The dynamics of the group also displays an increasing "Southernization" of informal multilateral cooperation.



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INTRODUCTION

Increasing strategic competition among major powers has cast a shadow over multilateral cooperation during an era of augmented global challenges. Decision-making and reforms undertaken by many key international organizations have faced challenges due to key powers' conflicting interests and values. Moreover, consolidated agreements on the European security order collapsed when Russia launched its war of aggression against Ukraine, and further violated the United Nations Charter and international law. Even if the UN has retained relevance in addressing the global implications of the war, such as the food crisis and the safety of the nuclear power facilities in Ukraine, it has become increasingly evident that formal international organizations have relatively weak immunity to heightened competition and rivalry among major powers.

This development has taken place alongside the growing importance of informal multilateral cooperation, including the exclusive groups of the most important powers such as the Group of Seven (G7), the Group of Twenty (G20), and the BRICS group. While heightened competition has had a negative effect on the cohesion and efficacy of these groups, they have nevertheless retained their relevance. Formal and treaty-based organizations have also recognized the importance of these groups and their added value in the current international environment. Informal groups have frequently brought diplomats, ministers and heads of state and government together to address jointly agreed agendas during times of heightened political tensions and global crises such as the Covid-19 pandemic.

This FIIA Briefing Paper focuses on recent political developments related to the G7, G20 and BRICS. The aim is to discuss how increasing strategic competition and even rivalry are shaping the dynamics within and among these forums of multilateral cooperation. The paper suggests that while the significance of the G7 has soared for major Western powers, the BRICS cooperation could turn out to propel the views of the Global South, and is increasingly important for China and Russia. The G20 has at least some potential to manage the heightened US-China rivalry and the

middle powers of the group, where the Global South plays an increasingly pivotal role.

THE G7: TOWARDS THE ALLIANCE OF MAJOR WESTERN DEMOCRACIES

The origins of the Group of Seven (G7)¹ can be traced back to the height of Cold War rivalry in the 1960s when the need to address international monetary matters jointly among key Western powers emerged. During its formative years in the 1970s and the early 1980s, the G7 summits were also concerned with liberalization of trade, macroeconomic policy coordination, the situation of the poor developing countries, and oil security.² Non-economic issues including the end of the Cold War gained prominence in the late 1980s. Global matters such as democratization, the environment, terrorism, and development matters increasingly started to feature on the group's agenda. The G7 has addressed major international security issues such as the Gulf War in 1991. After Russia's inclusion in the group in 1998, the G8 played a key role in forging a solution to end the war in Kosovo in 1999. Fifteen years later, Russia's participation in the group was suspended due to its illegal annexation of Crimea in 2014.

The return to the G7 format has consolidated the group's shared value base. Its members are committed to freedom and human rights, democracy and the rule of law, prosperity and sustainable development. The continuing salience of the G7 also attests to its members' aspiration to retain their influence and safeguard their interests in global affairs. The G7 members have had to accept that steering global financial and economic matters requires the participation of emerged and emerging economies. Yet rather than including countries such as China in the G7, the members of the group opted for setting up the broader G20 at ministerial level in the aftermath of the Asian financial crisis in 1999, and upgraded it to the leaders' level in the midst of the global financial crisis in 2008.

1 The G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States; additionally, the European Union (EU) is a non-enumerated member.

2 Hajnal, Peter I. (2007) *The G8 System and the G20. Evolution, Role and Documentation*. Routledge. pp. 53–55.

Importantly, the emergence of the G20 did not render the G7 obsolete. The group has largely sustained its influence over international financial institutions and governance, including the International Monetary Fund and the World Bank. Shared values and interests have also enabled the group to address various global matters with a flexible agenda, and coordinate its members' positions in the G20, for instance. On the other hand, the G7 cooperation faced some significant challenges during Donald Trump's administration. The US President challenged the G7's unity on a number of issues from trade to climate. Trump also called for Russia's readmission into the group. Moreover, in the 2010s, the European members of the group were preoccupied with several European crises from the fate of the single currency to migration pressure and Brexit.³

Increasing strategic competition and Russia's war of aggression have nonetheless highlighted the role of the group as a principal forum for cooperation among the key Western democracies and beyond. The current US President Joe Biden's aspiration to build back relations with the traditional allies has also underlined the importance of cooperation among democracies to counter the increasing clout of autocracies with the Summit of Democracy initiative, for instance. This has also been reflected in the G7, which has affirmed its members' commitment to democracy and human rights. Moreover, major non-member democracies such as Australia, India, Indonesia, the Republic of Korea, and South Africa have been invited to recent G7 summits.

As a group of leading Western democracies, the G7 has continued to provide steering in economic matters. The G7 has taken the lead in moving towards a global minimum corporate tax rate by agreeing in 2021 to enforce a 15 per cent tax rate across its members. The G7 consensus is expected to propel discussion on the matter in the G20 and the formal multilateral Organization for Economic Cooperation and Development. The latter has been engaged in negotiations among 140 countries for years on rules for taxation, including a global corporate minimum tax.⁴

Importantly, and especially for the Biden administration, the G7 has constituted a key vehicle for working on divisions and forging consensus on how to deal with China's growing influence. In 2022, the G7 leaders agreed on funding amounting to \$600 billion

for the Build Back Better World initiative, for instance. The initiative aims to create partnerships for global infrastructure projects and is seen as a long overdue Western answer to China's Belt and Road Initiative launched in 2013.

In terms of political and security matters, the G7 has played a key role in coordinating the Western response to Russia's war of aggression in Ukraine, especially in the field of financial aid for Ukraine and unprecedented sanctions against Russia, including the price cap on Russia's petroleum products. Besides coordination, the group has announced the creation of a new Enforcement Coordination Mechanism "to bolster compliance and enforcement of our measures and deny Russia the benefit of G7 economies" in 2022. The G7 has also aimed to mitigate the global economic and other implications of war, such as the potential food crisis.

THE BRICS: A SOUTHERN STANCE ON MULTILATERAL COOPERATION

Once deemed a mere investment buzzword by some, today the BRICS group has evolved into an increasingly notable informal forum reflecting a call for an international order that ought to better reflect the needs and interests of the non-Western world. Originally coined by a Goldman Sachs investment banker in 2001, the concept strove to capture the process of the rapid rise of emerging economies, representing unparalleled investment opportunities and future economic prowess.

The BRICS assumed political reality in the late 2000s with the original four countries, Brazil, Russia, India and China, vowing commitment to cooperation among emerging economies and in coordinating financial policy through the G20. South Africa was invited to join in 2011, forming the current BRICS group.

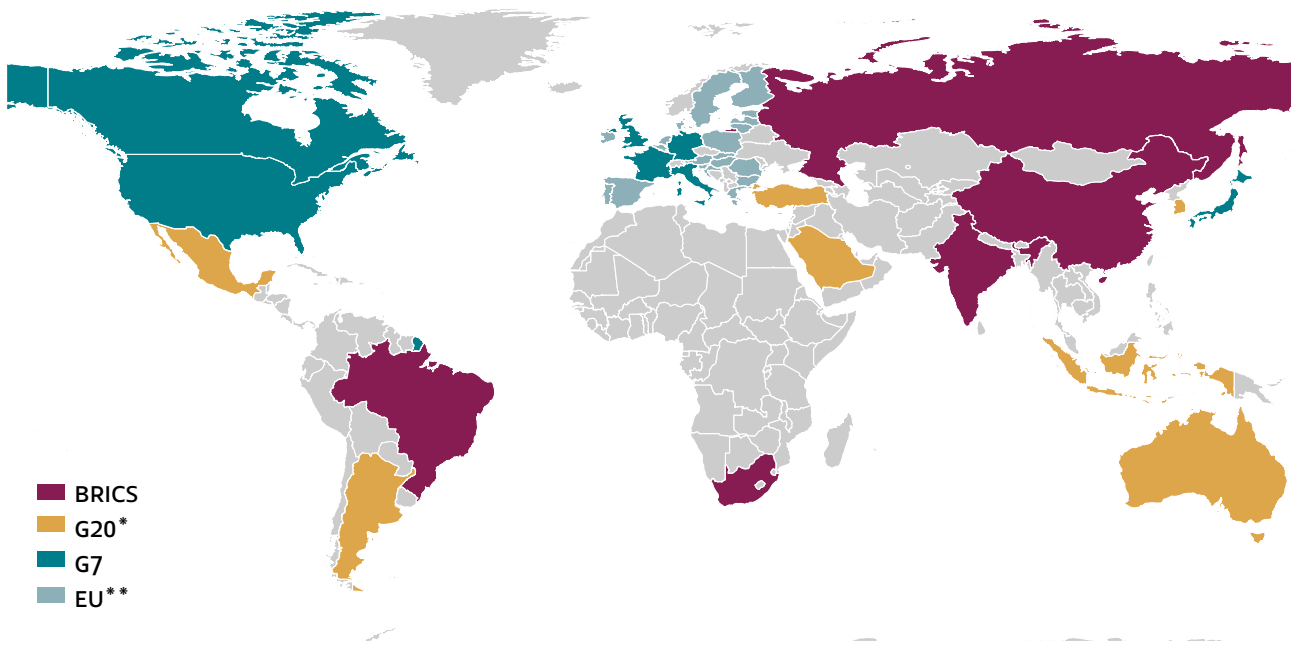
The group reflected resentment about the perceived inability of Western-led institutions to respond to the global financial crisis. Another key goal was to reform international institutions and establish a more equitable multipolar world order. In their joint statements, the BRICS have emphasized values such as respect for sovereignty, independence, territorial integrity, national unity, and non-interference in the internal affairs of its members. They have also questioned the durability and legitimacy of Western dominance in the future international order.

The BRICS see multipolarity as an inevitable condition of future multilateralism. An open, transparent,

3 See e.g. Council on Foreign Relations (2022) "Where is the G7 Headed?" <https://www.cfr.org/background/where-g7-headed>.

4 World Economic Forum (2021) "Everything you need to know about the G7's plans for a global minimum tax". <https://www.weforum.org/agenda/2021/06/g7-cooperation-tax-global-minimum-welath-profits-world-taxation>.

G20 countries



*G20 countries not included in the G7, BRICS or the EU
 ** EU member states represented in the G7 and the G20 via the EU

Figure 1: Countries included in the G20, G7, BRICS, and the EU.

and rules-based multilateral trading system has been a key factor in the economic ascent of the BRICS countries. Consequently, they do not oppose multilateralism as such. In fact, even liberal values are not necessarily what BRICS countries collectively strive to dispute. Rather, the BRICS remain sceptical about the operationalization of such values, viewing them to be utilized for constructing hierarchies that funnel power to those who consider themselves the stewards of the system – mainly the developed West, including the G7.

The many disparities within the BRICS group should not be overlooked, however. The members share fundamentally different (geo)economic realities and have struggled to formulate a shared identity or a comprehensive strategy since the acronym's inception. Not all BRICS are geographically located in the Global South, and nor are they all "emerging" in the manner insinuated at the dawn of the 21st century. It may be a stretch to refer, for example, to Russia as an emerging economy given the superpower status of its predecessor, the Soviet Union, and notable challenges of economic reform. China, given its whopping economic lead and development towards consumption-led growth, has in many ways more in common with the developed economies of the West. Moreover, the political systems inside the BRICS vary significantly from democratic to authoritarian rule. Frictions

between BRICS countries continue to complicate the outlook for a united BRICS front on the global stage.

In an era of intensifying strategic competition, however, it may be premature to deem the BRICS a meaningless "bric-a-brac" of a formation. For Russia, the BRICS represent an opportunity to avoid total isolation in the global arena and a way to divert the impact of Western sanctions. Recently, the reactions of many of the BRICS countries towards Russia's invasion of Ukraine have epitomized the fragility of a perhaps pre-assumed pro-Western stance. For many in the BRICS, the war is a regional problem with global ramifications. Sanctions against Russia are seen as a worrying precedent for weaponizing Western financial and economic power. Brazil is the only BRICS country to support the UN General Assembly resolutions condemning Russia's actions, while the rest of the BRICS have abstained from doing so. It should not go unnoticed that the Western rhetoric depicting Russia's aggression as "the return of major war" may ring hollow to many developing countries for whom conflict has, in fact, been all but absent in past decades. On the other hand, Russia's aggression stands in stark contrast to the values – such as the fundamentality of respect for sovereignty and territorial integrity – that the BRICS have championed.

Although the BRICS do struggle to form a united front on some key issues, it must be noted that the

influence of developing countries in the formulation of the current order and its norms is often overlooked. The Global South has been engaged with processes such as designing the Bretton Woods institutions, the IMF, and the World Bank. In fact, they have managed to inject a developmental aspect into the operations of these and other institutions.⁵ Accordingly, it may be an oversight to view the BRICS as a constellation that is somehow too nascent to navigate the environment defined by strategic competition. The role of the Global South as norm-makers instead of mere norm-takers has, for one, been insufficiently acknowledged in the past.

Furthermore, the BRICS leaders have steadily continued to meet at the highest political level. By 2020, the BRICS group had gone on to hold thirteen annual summits and nine informal summits, produce 933 collective decisions, and almost as noteworthy intra-group cooperation. Similarly to the G7 and particularly the G20, the BRICS have also focused on outreach activities and aimed to network with business, think tank, academia, trade union, parliamentary, as well as youth and civil society groups. The overall BRICS agenda has expanded to thirty-four topics, ranging from cyber security and terrorism to global health and development, among many others. Perhaps the most tangible turning point elevating the BRICS from agenda to action has been the establishment of the New Development Bank (NDB), a multilateral development bank established to finance infrastructure and development projects in emerging markets and developing countries.

While challenging the Western-dominated tradition of multilateral cooperation remains a shared objective for BRICS members, a more united identity would require a convincing argument for representing the vaster developing world, much of which is not (at least as yet) represented in the BRICS.⁶ The group's expanding agenda, as well as the relative success of initiatives such as the NDB, reflect the potential to address global challenges in an informal constellation, defined by former developing countries and emerged economies.

Importantly, the BRICS members' shared stance towards legitimacy and altering the status quo in multilateral cooperation may not be as controversial as often depicted. Indeed, in the West, the clout stemming from BRICS cooperation and new formal bodies

is often associated with the rise of China. However, to many emerging countries, the BRICS also represent a vaster idea than a mere opportunistic vessel for their economically most powerful member.

The voting record of the BRICS on Russia's invasion of Ukraine should demonstrate that merely belonging to the "democratic world", as the majority of the BRICS countries do, may not provide sufficient incentive to vote in unison with the West. The deep-rooted wounds of colonialism in the Global South, as well as more recent experiences of the Covid-19 pandemic and Western "vaccine nationalism", continue to complicate a view of the West as a reliable partner. For emerged economies, and the Global South, such strains point to a lukewarm Western approach to global responsibility at best and hypocrisy at worst.

THE G20 MATTERS: ENDURING DIVERSITY IN AN ERA OF STRATEGIC COMPETITION

The global ramifications of the Asian financial crisis in 1997 led to some sobering analysis in Western capitals regarding the systemic importance of emerging economies. Setting up the G20 at ministerial and central bank governors' level in 1999 represented a gradual step in recognizing this change. It nevertheless took almost ten years and a global financial meltdown to upgrade the group to the leaders' level in 2008. The aim of the member countries was to create a "premier forum for our international economic cooperation" with a coordinated stimulus of five trillion US dollars, which is generally considered to have been one of the most important decisions for the restoration of trust in the financial market amid the global crisis. In addition, the G20 powers committed themselves to the rules-based trading system and promised to hold back on protectionist measures despite the economic slump propelled by the crisis.

While the G20's action represented a swift return to the state (and taxpayers) in the global economy, it also implied a shift away from Western dominance in steering it. For instance, the G20 aimed to assume the steering role in reforming the formal Bretton Woods institutions, which was previously largely performed by the G7. Moreover, the G20's agenda was quickly broadened to include wider politico-economic issues including development matters as well as some security issues such as the financing of terrorism. Accordingly, significant expectations were aired about the forum's potential contribution to tackling global crises and

5 Helleiner, E. (2014) "Forgotten Foundations of Bretton Woods". In *Forgotten Foundations of Bretton Woods*. Cornell University Press; Acharya, A. (2018) *The end of American world order*. John Wiley & Sons.

6 For a discussion on BRICS Plus, see e.g. Sguazzin, Antony (January 12, 2023) "BRICS May Decide on Whether to Admit New Members This Year". Bloomberg. <https://www.bloomberg.com/news/articles/2023-01-12/brics-may-decide-on-whether-to-admit-new-members-this-year?leadSource=uverify%20wall>.

challenges. Climate change, for instance, was added to its agenda in the run-up to the 2009 Copenhagen UN Climate Summit, and the group started to focus on energy security.

While many accounts regarding the G20 suggest that its performance declined after its initial actions at leaders' level, they tend to downplay the group's continued evolution and salience.⁷ The group's development from ad hoc crisis management to planned and lasting work on global challenges ranging from the environment to digitalization might not make the headlines, yet the compliance reviews of the G20's decisions showcase the commitment of its members. Moreover, formal multilateral organizations, such as the UN, are struggling with efficacy challenges related to competition over interests and values. They have increasingly called for the G20 to form and facilitate consensus on the most pressing issues, such as the management of the Covid-19 pandemic. While the potentially extensive influence and limited legitimacy of the G20 was viewed with suspicion within the corridors of the UN, the focus has clearly shifted to the potential contribution of the G20 and its relationship with the formal international organizations.

The group's political importance might also grow in the current era of tightening strategic competition, particularly between China and the US. The G20 is a forum wherein the key competitors meet each other in a broader set-up including other major powers. For instance, US President Donald Trump and Chinese President Xi Jinping held a bilateral meeting on escalating trade disputes in the Buenos Aires G20 Summit in 2018 with weak results. Yet trade was also on the agenda of the summit and the leaders recognized the importance of the multilateral trading system, including the need to reform the World Trade Organization. Even though the WTO reforms are still pending and US President Joe Biden has continued to block the appointment of new judges to the WTO's appellate body, preventing it from hearing new appeals, the G20 nevertheless constitutes a forum in which much-needed consensus can be ironed out as its members cover around 75 per cent of world trade.

The G20 seems to be a key forum regarding the suggested Southernization of multilateral cooperation.⁸

These arguments have intensified due to the relative success of the Indonesian G20 presidency in 2022 and the ensuing presidencies of the Global South: India (2023), Brazil (2024), and South Africa (2025). In addition to Indonesia's accomplishment in holding the group together during heightened geopolitical confrontation and Russia's war of aggression in Ukraine, the set of four Southern presidencies has the potential to foster closer Southern cooperation, greater continuity in the G20 agenda, and a stronger focus on development – which works for the South.

The most recent Bali G20 Summit showcased both a more diverse world and an aspiration to manage strategic competition and global challenges.⁹ Crucially, the meeting agreed on a language on Ukraine, which deplored the aggression by Russia and demanded its withdrawal from Ukrainian territory. While Russia's President Vladimir Putin was not present at the meeting, and Russia was represented by foreign minister Sergei Lavrov, this stronger than expected joint statement from G20 members resulted from important dynamics.

The Bali G20 Summit also provided a platform for US President Biden and China's President Xi to hold a bilateral meeting, which led to somewhat heightened prospects for great power responsibility and coexistence in the context of intensifying rivalry and tensions. It also provided important viewpoints with regard to security. Although the G20 is primarily a forum for economic cooperation, risks related to nuclear weapons and disasters were pressing concerns at the summit. Moreover, the global implications of the war in Ukraine such as the food crisis, energy security and economic effects, constituted a set of acute challenges that required joint action and underlined the need to work around divisions.

Importantly, the role of the major powers in the Global South such as India and Brazil, as well as notable middle powers in the group including Argentina, Mexico, Saudi Arabia, South Africa, Turkey, and Indonesia, was critical in managing the standoff over Ukraine between the G7 powers on one side and China and Russia on the other. While China has since backtracked on the Bali consensus, and increasingly underlined the endurance of its strategic partnership with Russia, the more active and self-confident posture of Southern major powers and other middle powers

7 Kirton, J. and Larinova, M. (2022) "Contagious convergent cumulative cooperation: the dynamic development of the G20, BRICS and SCO". *International Politics*, published online 30 September 2022, <https://doi.org/10.1057/s41311-022-00407-7>.

8 Lynder, E.-M. and Reiners, W. (2022) "A new era for the G20? Insights from the T20 Summit 2022 in Indonesia". German Institute of Development and Sustainability (IDOS). <https://blogs.idos-research.de/2022/09/14/a-new-era-for-the-g20-insights-from-the-t20-summit-2022-in-indonesia/>.

9 Niblet, R. (2022) "The G20 Bali summit showcases a more diverse world". Chatham House Expert Comment. <https://www.chathamhouse.org/2022/11/g20-bali-summit-showcases-more-diverse-world>; International Crisis Group (2022) "Toward a Common Set of Signals from the G20 about Russia's War in Ukraine". <https://www.crisisgroup.org/global/toward-common-set-signals-g20-about-russias-war-ukraine>.

could turn out to be a lasting development. The G20 as the premier forum for global economic matters and beyond might turn out to be valuable for multilateral cooperation.

CONCLUSIONS

Intensifying strategic competition among major powers has manifold effects on multilateral cooperation. Conflicting interests and values have had a negative effect on the efficacy of formal international organizations. Competition and rivalry are also reflected in key informal forums such as the G7, G20 and BRICS. Recently however, the G7 has displayed unity and resolve over Russia's war of aggression in Ukraine. The group's cohesion has improved amid tightening strategic rivalry between the US and China, and the current US administration's aspiration to work closely with key allies on global matters. The G7 has acquired an identity and posture as a group of major Western economies and democratic powers.

At the same time, the BRICS group has consolidated and is openly challenging the Western powers' steering of multilateral cooperation. The group's expanding agenda, as well as the relative success of

initiatives such as the NDB, reflect the potential of non-Western powers to address global challenges in an informal constellation and from the perspective of the Global South. On the other hand, the group is increasingly important for China and Russia given the former's heightened tensions and the latter's collapsed relations with the West.

These dynamics related to increasing strategic competition have also had a negative impact on the efficacy of the consensus-based G20. Nevertheless, the group has provided a forum in which the key strategic competitors – the US and China – have met in a broader set-up including other major and middle powers, as well as representatives of the key formal multilateral organizations. The G20 has also been able to agree on joint declarations on the most pressing matters, including Russia's war in Ukraine and its global implications. Importantly, those members of the group not included in the G7 or BRICS have displayed increased self-confidence and activism in the consensus-building. Combined with potentially shared interests with major powers in the Global South, such as Brazil, India and South Africa, the importance of the Global South and the G20 in addressing global challenges and fostering multilateral cooperation might grow in the future. /