

POLICY BRIEF

em questão

LATIN AMERICA AND THE LIKELIHOOD OF INFLUENCE OF THE BRICS^{1,2}

Renato Baumann³

The BRICS member states are a significant force in the international arena. To achieve real results in the reshaping of a global governance, BRICS must meet two key conditions:

- consolidate the convergence of interests among its members; and
- build a support network for its positions.

Current data suggests that the largest Latin American economies may require additional effort in this regard.

INTRODUCTION

A country's foreign policy strategy depends on conjunctural conditions, but – above all – on structural elements of the economy, such as the availability of natural resources and a workforce compatible with what is required for production processes, the degree of competitiveness and the margin for gains in scale of the industrial sector, the institutional and legislative structure, among others. It also depends on the existence of favourable conditions for relations with other countries.

In the last seven decades, the order established by the functioning of the various multilateral institutions has conditioned a good part of the positions adopted by the various countries. More recently, however, dissatisfaction with several aspects has led to the emergence of some initiatives that question several of these conditions and seek to change the current situation.

¹ DOI: <https://dx.doi.org/10.38116/pbdinte31>

² This Policy Brief is based on the full study available at: https://repositorio.ipea.gov.br/bitstream/11058/17319/1/TD_3128_Web.pdf.

³ Researcher at the Department of International Studies of the Institute for Applied Economic Research (Dinte/Ipea). E-mail: renato.baumann@ipea.gov.br.

The BRICS is a group with significant weight on the international scene, whether by the value of their joint product, or by the demographic dimension, or even the potential of resources to invest, and this importance was increased with the incorporation of new members at the end of 2023.

To achieve concrete results in the new design of global governance, the BRICS needs to achieve two conditions: to consolidate the convergence of interests among its members, in order to articulate coherent and well-focused joint initiatives, and to build a network of support for its positions, by other developing economies that share the same diagnoses.

If the group was created with the main objective of increasing its degree of influence on the international stage, over time other purposes have been added, but the *leit-motiv* of increasing the role of emerging economies in global governance remains.

Being a member of the BRICS and at the same time the only Latin American in the group adds an additional theme to be considered in the Brazilian agenda.

In the hypothesis that the BRICS achieves a degree of homogeneity that allows it to effectively participate in the redesign of global governance, one question is how high is the probability that the main developing economies will adhere to the new dictates, especially if these new features are in conflict with the interests of the group of economies often considered as “Western”.

Domestic conditions, as well as the main external partnerships, are elements that determine the general lines of a country’s foreign policy, from a strictly economic perspective. In the case of the main economies of Latin America, the context determined by economic interests does not seem to be very favorable to strong contestations of the status quo, unless there are significant domestic changes in each country and/or motivational initiatives by the BRICS.

Since Latin American countries are not in the group of the largest economies on the planet, their ability to influence the international scenario is restricted to specific market niches. And this condition determines the broad outlines of their foreign policy.

DISCUSSION

In order to build a reference scenario for analysis, the study on which this Policy Brief is based – Discussion Paper No. 3128⁴ – analyzed some indicators in the period from 1999 to 2023, in seven Latin American countries: Argentina, Brazil, Colombia, Chile, Mexico, Peru, and Uruguay.

These seven countries are medium-sized economies compared to the rest of the world, and there is a clear difference in size of these economies. With the sole exception of Mexico, all other economies showed lower dynamism in the post-covid-19 period than before the pandemic. Lower performance most likely affects the worldview of the various countries, therefore their strategy of international insertion.

The lower dynamism is reflected in the availability of resources in the economy. The general level of savings is low in the region, not exceeding 24% of GDP, so there is a need for external resources to make investments viable.

⁴The full study is available at: https://repositorio.ipea.gov.br/bitstream/11058/17319/1/TD_3128_Web.pdf.

Latin American economies have well-known comparative advantages in natural resources, be it in mineral products, agricultural production or extractive activities. This characteristic determines the format of their international insertion, predominantly formed by exports of products from these sectors.

The population of these countries is basically urban, and this is not a minor fact: urban populations are more exposed to varied patterns of demand – either through various media, or by the demonstration effect that follows from the contact with more people – than inhabitants in rural areas.

Another characteristic of these countries is the high degree of income concentration. The characteristics of urban concentration of the population with a high degree of income concentration influence the propensity to import, thus imposing rigidity on imported values. The import list is predominantly composed of manufactured products.

From the point of view of foreign policy strategy, this double characteristic – export of primary goods and import of processed products – determines the need to preserve good relations with the countries demanding the export products, as well as with the countries of origin of the manufactures. Dependence on imported manufactures also implies the link to certain production patterns, as well as to the conditions of supply and technical assistance by the exporting countries of these products.

In addition to these common characteristics of the composition of foreign trade, in these countries the degree of openness is typically lower than what is found in other regions.

A general recent characteristic of these countries is the reduction in the value actually traded with high-income economies, and in trade flows at the regional level. The explanation is found in trade flows with the new dynamic axis of world trade, the economies of East Asia and the Pacific Area.

Bilateral economic relations also include the flows of resources and the commitments assumed through trade preference agreements. The most present investor, with the most significant projects in the period considered, is the United States, followed by Western European countries. This set of Western economies is largely predominant.

Hence, what is a clear trend of geographic diversification when considering the movement of goods is not reflected in capital flows, in spite of the projects of companies from new partner countries.

Another relevant dimension with regard to possible economic alignment in geographical terms is the existence of trade preference agreements. With the exception of Mercosur, with a limited number of agreements and with partners without a large expression in total trade transactions, all the other countries have negotiated preferences with partners involving, in all cases, the United States and Western European countries, whether the European Union or EFTA.

The largest Latin American economies are characterized, therefore, by demand structures influenced by the concentration of the population in urban centers and a high level of income concentration, in economic systems relatively closed to international trade and with processes of international insertion strongly dependent on their comparative advantages in natural resources.⁵

⁵ The Mexican case is different, in this sense. Despite its wealth of natural resources, its proximity to the main market on the planet, the specific contractual conditions and the format of the productive structure add other components to its set of comparative advantages.



The urban concentration of the population and the concentration of income are most likely determinants of the composition of imports. These factors explain also the resistance by these countries to reduce their tariff barriers more intensely, even where the weight of tariff revenue in total revenue is marginal.

In the last two decades there has been a sharp increase in trade relations with Asian economies, to the detriment of relations with high-income economies. The growing dependence on imports from these new trading partners, as well as their markets for the exports of national production, certainly influences some foreign policy decisions. Data on investment projects in recent years indicate that there remains a predominance of capital from traditional investors, *i.e.* the high-income economies of the “Western group”. And the most active countries in terms of number of agreements have systematically negotiated preferences with the main trading partners and main investors, which are also these high-income Western economies, even with some parallel, specific initiatives of geographic diversification in these agreements.

The joint reading of these indicators suggests that the probability that these Latin American economies will adopt a conflicting posture in relation to their traditional partners in the short term is not very high: the weight of trade and investment relations with the United States and the European Union is still predominant in the various cases.

CONCLUSION

Initiatives aimed at influencing global governance, such as the BRICS, would need to consolidate a high level of attractiveness, if the purpose is to have the support of these developing economies for the adoption of measures that are not in line with the objectives of the main economies.

It is possible that the protectionist policies recently adopted by some high-income countries will encourage these developing economies to diversify their relationships by intensifying transactions with new partners. Conjunctural determinants can cause changes in the composition of the interests of economic agents, therefore the configuration of a country's foreign policy.

Nothing, however, prevents the commitment of the BRICS members to co-opt these countries via initiatives such as an increase in bilateral trade, proactivity in the financing of large projects and the negotiation of preferential agreements, so that the indicators mentioned here might change.

It is not clear, so far, to what extent this perspective of the need to attract other countries to reinforce the BRICS propositions has been explicitly considered by the group. But if the degree of ambition of the purposes to build a new scenario of global governance is confirmed, it seems reasonable to take into account the importance of building support beyond the members of the group. In the case of the largest Latin American economies, current data suggest the need for some additional stimuli.



Ipea – Institute for Applied Economic Research

PUBLISHING DEPARTMENT

Head of the Publishing Department

Aeromilson Trajano de Mesquita

Assistants to the Head of the Department

Rafael Augusto Ferreira Cardoso

Samuel Elias de Souza

Supervision

Alice Souza Lopes

Typesetting

Augusto Lopes dos Santos Borges

Cristiano Ferreira de Araújo

Daniel Alves Tavares

Danielle de Oliveira Ayres

Leonardo Hideki Higa

Graphic design

Danielle de Oliveira Ayres

*The manuscripts in languages other than Portuguese
published herein have not been proofread.*

Ipea – Brasilia

Setor de Edifícios Públicos Sul 702/902, Bloco C

Centro Empresarial Brasilia 50, Torre B

CEP: 70390-025, Asa Sul, Brasilia-DF





Ipea's mission

To enhance state decision-making and public debate.



ipea Institute for Applied
Economic Research

MINISTRY OF
**PLANNING AND
BUDGET**

