

Norway and the BRICS (IV): Challenges and Opportunities

Benjamin de Carvalho, Halvard Leira and John Todd

Summary

In spite of the differences between the BRICS it is possible to discern some common challenges and opportunities for cooperation with Norway.

In security terms, Russian interventionism requires a different strategy to increasing Chinese assertiveness or the multilateral preferences of Brazil, South Africa and India.

With respect to trade, there are opportunities with all five of the BRICS – even in the case of India, the world’s largest democracy. In reputational terms, navigating a series of relationships with emerging and sometimes prickly powers is undoubtedly challenging, and is likely to remain so.

In sum, the bilateral relations Norway has with the BRICS countries is relatively independent of the form or future of the BRICS collaboration. Yet, the BRICS play an important part in international governance. Should the BRICS collaboration lose momentum in the future, Norway may well be in a position to influence the future of rising power collaboration.

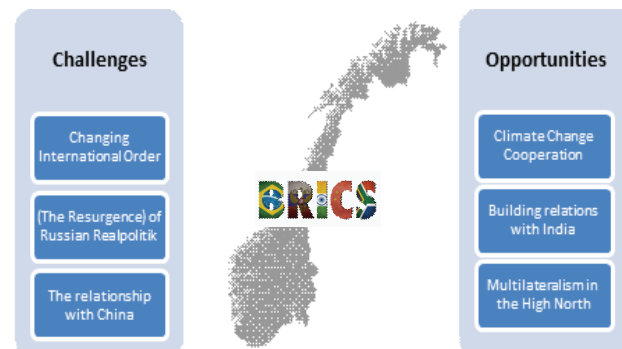
Keeping this in mind, it is important for Norway to focus not only on the challenging security situation with Russia and the cold relationship with China, but also continuing to strengthen ties and cooperation

Norway’s relationship to the BRICS countries is a multifaceted one – reflecting the diversity of the BRICS cooperation, one could add. Yet, as we have argued elsewhere (see de Carvalho and Leira 2015; de Carvalho et al. 2015), in spite of these differences it is possible to discern some common challenge and opportunities for cooperation between Norway and the BRICS countries.

Here, we identify key challenges and opportunities for Norway in how it relates to the BRICS countries. Rather than take a country-by-country approach, the report highlights three key challenges and three key opportunities for Norway as it seeks to strengthen ties with the BRICS. This brings both overarching and state-specific issues within the scope of the brief. The challenges and opportunities are introduced in the diagram below:

1

Figure 1: Norway and the BRICS – Challenges and opportunities



Challenge I: Adjusting to changing international order

This challenge is clearly not unique to Norway, nor caused solely by the BRICS countries. Nevertheless, the BRICS Development Bank and Contingent Reserve Agreement¹ are new

¹ The Contingent Reserve Agreement creates a fund worth \$100bn “to forestall short-term balance of payments pressures, provide mutual support and further strengthen financial stability” (Brazilian Ministry of External Relations 2014).

institutional arrangements that reflect the changing international order. Whilst the development bank's capitalisation is some way short of the World Bank—leading some to downplay its immediate impact (see for example Tierney 2014:455)—the bank will nonetheless provide an significant alternate source of credit for developing countries. Singh (2013:394) meanwhile highlights that “BRICS economies today account for \$4.8 trillion of foreign exchange (FX) reserves, or nearly 40 per cent of the world total official FX holdings.” Whilst the changing order is most tangible when seen in economic terms, the liberal hegemony is also eroding in terms of power and norms.

Norway is in a stronger position to respond to these changes than many other European states. The Government Pension Fund gives Norway significant investment clout that could be targeted to a greater degree towards developing and emerging markets. This might entail higher risks and lower returns over the short term, but would help build Norway's relationships with a broad range of states. Norway should build its political capital through demonstrating the mutually beneficial nature of a socially informed investment strategy. Encouraging the BRICS to play a full part in multilateral institutions rather than for them to challenge them is also worth doing (see below for more on this regarding the High North).

Challenge II: Russian realpolitik

Russia's challenge to Western values and the liberal order has been crystallised by events in Ukraine. The annexation of the Crimea and ongoing intervention in the Donbas are illustrative of the diverse applications of military and paramilitary force that are an increasingly integral part of Russian political thinking. Russian and Western views continue to diverge: this creates policy imperatives for Norway, NATO and the EU. However, it is important to temper these concerns by recalling that Europe is and will remain the key customer for Russian oil and gas over the short and medium term. This gives Europe somewhat greater leverage than has perhaps been widely recognised, not to mention highlighting Norway's position as a friendly and reliable supplier of oil and gas. Russia's ongoing economic woes are also an important factor.

The Norwegian Defence Minister has described Norway's strategy for Russia as based on the principles of firmness and predictability. This approach appears sensible and balanced. Pragmatic cooperation between Norway and Russia should continue where appropriate, particularly in relation to the High North. Nonetheless, the diplomatic, defence and intelligence communities must work closely together with policy makers in order to provide both the predictability and firmness required. Counter intelligence and cyber defence will be critical here in protecting Norway's infrastructure, intellectual capital and national security. Norway's support for NATO as a political and security alliance is clear and should continue, as should Nordic security cooperation. Support for relevant EU initiatives, particularly in relation to rule of law and tackling corruption, could potentially be increased. Supporting efforts for greater NATO-EU cooperation would also be advisable.

Challenge III: The relationship with China

There are clear bilateral economic gains to be made from improving relationships with China, and good relations are a useful diplomatic end in themselves. The recently finalised free trade agreements that China has signed with Iceland and Switzerland are of course examples of what might be possible should Chinese anger abate. However, there is a risk that Norway seeking to normalise relations in a hasty manner would damage its prestige as a proponent of human rights and democracy. The Foreign Minister's statement that the recovery process will take time is positive: precipitative action on Norway's behalf would be strategically inadvisable.

China's increasing self-confidence makes this challenge particularly tricky. The recent confirmation by Xi Jinping that critical journalists would be have their access to the country denied is an example of this bullishness (see for example Somaiya 2014). The Norwegian government should consider how much political capital and resources to invest in repairing the relationship given that, in the short term at least, it appears that the returns on such an investment might well be limited. A strategy of making the most of opportunities for cooperation and trade with China whilst building strong links with other South East Asian emerging markets might be a reasonable compromise over the short to medium term.

Opportunity I: Increase cooperation on environment and climate change cooperation

Norway's climate commitments are significant and challenging, particularly the pledge to achieve carbon neutrality by 2050. Such action on climate change and the environment carries reputational benefits for Norway as well as helping mitigate the impact of a changing climate. The recent agreement between the US and China is, it is to be hoped, an indication that tackling climate change is to receive greater priority over the coming period. China's commitment to cap its CO₂ emissions by 2030 is particularly welcome. In order to achieve this, China is investing heavily in hydro, nuclear, wind and solar power. There may therefore be scope for some increased cooperation on hydropower (particularly managing environmental impacts) and, over the medium to long term, thorium technology.²

In terms of Norway's commitment to climate change mitigation and adaptation, joint working with Brazil (particularly on preventing deforestation) and South Africa should continue. From a Brazilian perspective, with Petrobras and Statoil operating large numbers of offshore wells, converting a shared interest in the environmental impacts of offshore drilling into tangible benefits is also essential. Support for solar power in South Africa could be augmented with joint research on tidal and ocean current power generation. India's focus on solar power also provides an opportunity for collaboration.

² At present, although both Norway and China are researching the use of thorium in power production, they are using different approaches. Cooperation is therefore likely to be limited over the short term.

Opportunity II: Build significantly stronger political, economic and cultural links with India

The Norwegian government has recognised that there is a low baseline of cooperation with India at present, though the recent state visit by President Mukherjee and the ongoing EFTA free trade agreement negotiations are positive indicators. Building knowledge and understanding of India's outlook should be a priority: Prime Minister Modi's decision to play hardball over the WTO's Trade Facilitation Agreement demonstrates Indian preparedness for brinkmanship in matters of trade in particular (Schaffer 2014). Stronger political links and cultural exchanges would be beneficial in increasing this knowledge and understanding.

In trade terms, it makes sense for both countries to move away from a focus on business process outsourcing activity towards collaborative research and infrastructure investment. The Modi government's prioritisation of FDI through the 'Make in India' campaign should provide opportunities for Norwegian businesses and investors. Collaborative research efforts should focus on bio-technology, renewable energy, defence and health care. In addition to finalising the free trade agreement, Norway and India should also work to resolve outstanding issues with visas.

Opportunity III: Continue to emphasise a multilateral approach to the High North

The High North has been identified as Norway's "most important foreign policy area" (MFA 2014), and the Arctic Council is the key multilateral venue through which Norway pursues its strategic interests with regard to the High North. These interests encompass security (through maintaining stability in the High North), trade (through developing the High North in a sustainable manner) and reputation (through commitment to a cooperative approach). With Russia a full member, and China and India holding observer status, the Arctic Council is important in demonstrating the benefits of cooperation and a multilateral approach. Maintaining and increasing support for UNCLOS and the new Polar Code³ will be important, both for Norway's maritime interests and in helping to underpin the international legal order. Continued support from Norway can therefore provide a modest contribution to the first challenge above, whilst also providing a venue for environmental cooperation with Russia in particular. In this vein, sound management of fish stocks through the Joint Norwegian-Russian Fisheries Commission should continue.

In security terms, positive engagement through the Arctic Council can help prevent tensions from escalating in the High North (whilst recognising that NATO's role in the region will also continue to be important for Norway). International research cooperation will also help build relationships and contribute to sustainable development of the High North. The Ministry of Foreign Affairs should consider encouraging

projects involving joint work with Russian, Chinese and Indian researchers under the new *Arctic 2030* programme.

Norway's goal of increasing the engagement of observer states is sound, and the establishment of Arctic Frontiers Plus as an informal site for dialogue is useful in this regard (see Utenriksdepartementet 2014:18). That being said, it appears there is potential to do more here: the Ministry of Foreign Affairs should take stock following the 2015 Arctic Frontiers Conference to consider what more can be done to encourage observer state involvement in the Arctic Council.

Conclusion

We have outlined both common and specific challenges and opportunities relevant to Norway's relationship with the BRICS countries. This in itself demonstrates that that, whilst there are some overarching themes, the heterogeneous nature of the BRICS rules out a one-size-fits-all approach. In security terms, Russian interventionism requires a different strategy to increasing Chinese assertiveness or the multilateral preferences of Brazil, South Africa and India. With respect to trade, there are opportunities with all five of the BRICS, but India's huge potential mean that this report has highlighted building relations with the world's largest democracy as a major opportunity. In reputational terms, navigating a series of relationships with emerging and sometimes prickly powers in undoubtedly challenging and as a medium power Norway must focus its resources and political capital on key strategic priorities like the High North whilst remaining alert to emerging opportunities for collaboration.

As was highlighted in the first brief in this series (see de Carvalho and Leira 2015), whether to address the BRICS countries as a group or not may depend largely on the extent to which BRICS countries will seek to push the cooperation towards a more institutionalized form, which may include a secretariat as hinted at by Russia in 2014, but which will nevertheless push the BRICS to emphasized commonalities rather than points of contention both within the group and with states outside of the group. Given the important role played by Russia in the past in seeking to formalize the contentions rising powers have with the current "democratic deficit" in international society through more binding cooperation, one could see the BRICS running into difficulties in their collaboration given Russia's current posturing and subsequent fall in international standing. A possible consequence of this is the strengthening of other "rising power clubs" which have operated on the sidelines of the BRICS collaboration. Preceding the BRIC cooperation, Russia India and China have forged close ties within the RIC framework. These high level ministerial summits have reached their thirteenth round, as the tripartite group met in Beijing in February 2015. They issued a joint statement in which they underlined the need for "democratization of international relations and multi-polarity" as well as opposing

³ The International maritime Organization has recently introduced the Polar Code, a new mandatory code of safety for ships operating in polar waters. It will take effect from 2017 (IMO 2014).

“forced regime change in any country from the outside, or imposition of unilateral sanctions based on domestic laws.” The three parties to the BRICS collaboration with higher domestic democratic credentials have been meeting within the framework of IBSA. India, Brazil and South Africa are due to have their seventh summit in New Dehli in 2015, and although IBSA has traditionally been more focused on promoting South-South cooperation, should the BRICS arrangements lose pace, it could well become a more central arena for rising power cooperation. Being part of all three groups, India is likely to be in a pivoting situation, and the direction it decides to embark upon may very well prove decisive.

As we have shown through this series of briefs, Norway’s relationship to the BRICS is a multifaceted one, just as the BRICS are a diverse group of states in spite of their common aspirations as emerging (great) powers. As such, the bilateral relations Norway has with the BRICS countries is relatively independent of the form or future of the BRICS collaboration. Yet, the BRICS play an important part in international governance, as they carry a certain amount of moral authority through their ability to speak for the South and the more disenfranchised segments of international society. It is therefore important for Norway to engage with the BRICS on those issues. Should the BRICS collaboration lose momentum in the future, Norway may well be in a position to influence the future of rising power collaboration. Keeping this in mind, it is important for Norway to focus not only on the challenging security situation with Russia and the cold relationship with China, but also continuing to strengthen ties and cooperation with the democracies of the group: Brazil, South Africa and last but certainly not least India.

4

References

- Brazilian Ministry of External Relations. (2014). *Treaty for the Establishment of a BRICS Contingent Reserve Arrangement – Fortaleza, July 15*. Press Releases. Available at: <http://brics6.itamaraty.gov.br/media2/press-releases/220-treaty-for-the-establishment-of-a-brics-contingent-reserve-arrangement-fortaleza-july-15> (accessed: 25 November).
- de Carvalho, Benjamin and Halvard Leira (2015) PB 1
- de Carvalho, Benjamin, Halvard Leira and John Todd (2015) PB2
- IMO. (2014). *IMO adopts mandatory Code for Ships Operating in Polar Waters*. Maritime Safety Committee (MSC), 94th session, 17-21 November 2014. : International Maritime Organization.
- MFA. (2014). *The High North*: Norwegian Ministry of Foreign Affairs. Available at: <http://www.regjeringen.no/en/dep/ud/campaigns/the-high-north.html?id=450629> (accessed: 10 December).
- Schaffer, T. C. (2014). India and the WTO—A Reprieve. *Opinion*: Brookings.
- Singh, S. (2013). Future of Golden BRICS. *Strategic Analysis*, 37 (4): 393-397.
- Somaiya, R. (2014, 12 November). In China, Blunt Talk to Reporters on Access. *The New York Times*.
- Tierney, M. J. (2014). Rising Powers and the Regime for Development Finance. *International Studies Review*, 16 (3): 452-455.
- Utenriksdepartementet. (2014). *Nordkloden: Nordområdene Statusrapport 2014*. Utenriksdepartementet.



**Norwegian Institute
of International
Affairs**

Established in 1959, the Norwegian Institute of International Affairs [NUPI] is a leading independent research institute on international politics and areas of relevance to Norwegian foreign policy. Formally under the Ministry of Education and Research, NUPI nevertheless operates as an independent, non-political instance in all its professional activities. Research undertaken at NUPI ranges from short-term applied research to more long-term basic research.

About the Author

Benjamin de Carvalho is Senior Research Fellow at NUPI and part of the Research Group on Foreign Policy and Diplomacy.

Halvard Leira is Senior Research Fellow at NUPI and leader of the Research Group on Foreign Policy and Diplomacy. He has published extensively on Norwegian foreign policy and diplomacy.

John Todd holds an M.Sc. in International Relations from NMBU and is a Research Assistant at NUPI’s Research Group on Foreign Policy and Diplomacy.

NUPI

Norwegian Institute of International Affairs
C.J. Hambros plass 2D
PO Box 8159 Dep. NO-0033 Oslo, Norway
www.nupi.no | info@nupi.no

Funding

Funding for this policy brief was provided for by the Norwegian Ministry of Foreign Affairs through the project “Norway and the BRICS: Mapping Opportunities and Challenges”.