

ÉTIENNE BERCHTOLD

Ambassador of the Republic of Austria to the United Arab Emirates, former Foreign and European Policy Spokesperson for three Austrian Chancellors

Nikolaus Lang, Managing Director and Senior Partner in BCG's Munich office

Let me start with you, Étienne and a first perspective on the BRICS, especially its development. You saw the chart I shared with the G20, G7 and the EU. From your perspective, what impact does the development of the BRICS have for other international institutions, for other countries, deliberately looking at it from the inside out?

Étienne Berchtold, Ambassador of the Republic of Austria to the United Arab Emirates, former Foreign and European Policy Spokesperson for three Austrian Chancellors

Thank you very much for the introduction, Nikolaus and for this very relevant question. Allow me to thank you in French for allowing me to address this conference today. We have seen a steady decrease in Western influence over the last 15 years, and if you look at it, it started with Lehman Brothers. Since then, we have seen a bit of a decline in our relevance and if we are honest, of the G7, the G20 has been on a bit on a rise, the European Union a bit less influential and we have to be very open and frank with ourselves about where we can track this down and see this impact. We had different assumptions when we imposed the sanctions against Russia in 2022, when there was a very clear understanding that within a few months the Russian economy would disintegrate; it has not. It was not a mistake, it was necessary to impose sanctions on Russia in reaction to its war of aggression against Ukraine, there was no alternative from the standpoint of international law, you cannot just stand by and do nothing. However, it was expected that Russia would be more or less on its knees within a few months because the rest of the world would follow us in imposing sanctions. Quite honestly, half of the world has not followed us down the path of imposing sanctions on Russia after its war of aggression and this leads us to an evaluation of where we stand and where we should continue to go. One of the main lessons that the West, the G7 and the European Union should draw is not to continue to lament this decline in influence, which is also something we should blame on ourselves. We have a lackluster economic performance, domestic political crises in many European countries, problems in forming governments not only in France but also in my country, it takes some time. These challenges are not insurmountable, and they are normal but of course, it leads to a decline in influence and a perception in other parts of the world that they are in fact less influential and important. As your charts have shown, there have been shifts in shares of GDP in the populations they represent. BRICS countries account for 45% of rare earths and Brazil pointed out at the Kazan summit that arguably, a large percentage of rare minerals and earths which are important for the energy transition are found in BRICS countries.

When it comes to what we have to do is engage in dialogue with the BRICS countries, listen to them and their concerns, and not lecture them. For example, if our host country tells us that the BRICS countries are a geoeconomic project, we should accept it as such and start a dialogue on this basis, aimed at geoeconomic diversification. The UAE is very good at economic diversification and implementing their CEPAs, their free trade agreements. They want to do some with the European Union as well, so maybe we should also take the hand that is extended to us and also agree to start negotiations with UAE on a CEPA, that would help, for example, with bilateral engagement. It would also help to invite BRICS leaders, as Italy has already done this year, to G7 summits. If they are also given seats at the big table, it will help to listen to what they say and make it easier to get them onboard because, with the exception of Russia, they are ready for a dialogue about sanctions against Russia on dual use items and how to bring about peace. That is something that we should also focus on in the future.

This leads me to the other point that, at the end of the day, we have seen a decline in our influence, but it is not irreversible and the Draghi report and many others, show to increase competitiveness, which is something you are an expert on. They also consider the potential of AI, an area where Europe is nowhere to be seen and has no champions, they are found in Asia and the US but not in Europe. That is a problem we can solve and if we are successful, we will be more relevant and important. The UAE is seeking an alliance with the US on AI but not looking so much at Europe and there is a reason for that. In the end, we should be careful about issuing threats against the BRICS, as President elect Trump made clear a week ago on X, that if they ever implemented an alternative to the dollar the US would impose 100% tariffs. So far, there have been no concrete plans to implement a currency at the BRICS level but if we continue to threaten them maybe they will get the idea to do that, increase trade among the BRICS and create their own financial system to protect themselves from Western sanctions. We have to be careful that it does not backfire. I will stop here.

Nikolaus Lang

I think what you say is very interesting in terms of having this dialogue with the BRICS countries— and you mentioned the threat of a 100% tariff, which I think was a political tactic, but definitely not an example of a dialogue. I think the question of how to join forces with the BRICS countries has an important role to play. Thank you for your first intervention.