BRICS and the World Order: A Beginner's Guide

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SUMMARY

"No one can resist an idea whose time has come"

~Victor Hugo, French writer of the Romantic period.

BRIC(S) was one such idea, when the term was coined by Goldman Sachs in 2001.

The BRIC acronym, which stands for Brazil, Russia, India and China, originated in a Goldman Sachs paper – *Building Better Global Economic BRICs* – as part of an economic modelling exercise to forecast global economic trends over the next half-century. The main finding was that the BRIC countries collectively would play an increasingly important role in the global economy. Another paper by Goldman Sachs in 2003 – *Dreaming with BRICs: The Path to 2050* – concretised the earlier findings. It predicted that over the next 50 years, the BRIC economies could become a major force in the world economy, and that by 2050 the only industrialised/developed economies among the six-largest global economies would be the US and Japan in US dollar terms.

The emerging dynamics over the last decade tend to support the predictions. Starting with a share of a little over 10% in world gross domestic product (GDP) and less than 4% in world trade in 1990, BRICS (with the recent inclusion of South Africa to the forum) now constitutes about 25% of world GDP and 15% of world trade. The increase in GDP implies that the economic size of BRICS in terms of its share in world GDP has expanded by 150% in the past two decades. In addition, all the BRICS countries are now members of major international and multilateral institutions, such as the World Trade Organisation, the UN, the Group of 20 (G-20) and the UN Framework Convention on Climate Change, and are very active participants therein. There are various other indicators, such as trends in inflows and outflows of foreign direct investment, trade openness, current account balance, forex reserves and economically active labour forces, that could make BRICS a formidable force to reckon with in future. One example of the group's importance to the world economy was reflected by the collective pledge of the BRICS countries to contribute a huge $75 billion at the 2012 G-20 Summit in Los Cabos, Mexico, towards preventing the contagion of the Eurozone crisis into the global market.

However, this does not imply that all is well for the group, as several issues remain to be addressed at both individual and the group level. Such issues include the relatively low ranking of BRICS countries (with the exception of South Africa with respect to many indicators) in the World Bank's annual report, *Doing Business 2012*; inadequate infrastructure; a lack of institutionalisation; the heterogeneous nature of the group and lack of cohesive identity; the fragile nature of trade and investment linkages among the BRICS

countries; and differences within the group on values, economics, political structures and geopolitical interests. If not addressed urgently, these could pose serious challenges to the realisation of what was predicted by Goldman Sachs.

The paper shows that there is plenty of scope for the BRICS countries, perhaps along with the regions they represent, to organise themselves into a formidable power bloc if they can overcome some of their differences. Issues that require urgent attention include devising and implementing measures to minimise economic and political differences within the group, leading to a real sense of co-operation and co-ordination; target-driven and time-bound deliverables, accompanied by appropriate measures and mechanisms; deciding on common candidates and fielding and supporting consensual candidates; and bringing in civil societies in institutionalisation mechanisms.

Key words: *BRIC, BRICS, role of BRICS, BRICS contribution to world economy, emerging world economic order, intra-BRICS trade.*

ORIGIN AND FORMALISATION

The BRIC acronym, a concept floated for the first time more than a decade ago in 2001, represents the loose grouping of Brazil, Russia, India and China. The idea was coined by Goldman Sachs in a paper[1] as part of an economic modelling exercise to forecast global economic trends over the next half-century. The main finding was that the BRICs would play an increasingly important role in the global economy. Taking forward the main finding, another paper by Goldman Sachs in 2003[2] forecasted the evolving dynamics of the world economy over the next 50 years. The papers' findings were startling and perhaps unexpected for the larger global community. It was predicted that over the next 50 years, the BRIC economies could become a major force in the world economy. In less than 40 years, the BRIC economies together could be larger than the Group of Six (G-6)[3] in US dollar terms. By 2025 their size could be over half the size of the G-6. The study also predicted that by 2050, only the US and Japan of the current industrialised countries could remain among the six-largest economies in US dollar terms.

Table 1: BRICs in 2000

Country	*GDP [a] (PPP); [b] 2000 $ bn*	*Share of world total (%)*	*GDP (current prices); 2000 $ bn*	*Share of world total (%)*	*Difference in share (PPP-current)*	*Population (mn)*	*GDP per capita (current price)*
Brazil	1,214	2.92	588	1.96	0.97	167.72	3,507
Russia	1,120	2.7	247	0.82	1.88	145.49	1,696
India	2,104	5.06	474	1.58	3.49	1,002.14	473
China	5,230	12.59	1,080	3.59	9.00	1,266.80	852

[a] GDP represents gross domestic product.
[b] PPP represents purchasing power parity.
Source: Goldman Sachs, Building Better Global Economic BRICs, Global Economics, 66, 2001, http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf.

[1] Goldman Sachs, *Building Better Global Economic BRICs*, Global Economics, 66, 2001, http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf.
[2] Goldman Sachs, *Dreaming with BRICS: The Path to 2050*, Global Economics, 99, 2003, http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/brics-dream.pdf.
[3] The G-6 was a forum created in 1975 consisting of the six-richest industrialised countries, namely France, West Germany, Italy, Japan, the UK and the US. It later became the Group of Seven (G-7), with the inclusion of Canada in 1976; and then the Group of Eight (G-8), when Russia joined the group in 1997. In 2011 these countries accounted for about 42.5% of GDP (PPP).

The two pioneering papers evolved around the understanding that the world economy had changed significantly over the past 50 years. They further anticipated that over the next 50 years, the changes could be at least as dramatic. It needs to be noted that by the time Goldman Sachs coined the idea of the BRICs, major structural changes were already taking place in the BRIC countries, which could have played an important role in shaping the predictions of Goldman Sachs. Brazil had put in place a drastic economic stabilisation plan to reverse hyperinflation and boost privatisation in the late 1980s, while India had introduced sweeping economic reforms in the early 1990s. On the other hand, China had emerged unscathed from the Asian economic crisis of the late 1990s, and Russia had started putting in place a strategy to rebuild and regain its lost economic status.

Taking into account the challenges faced by these countries, especially in areas relating to economic and political instability, the predictions presumed that the structural reform processes launched by these countries would be sustained and that the BRIC countries would maintain policies and develop institutions that supported growth. The papers, however, did not scope out the possibility that the term coined would be formalised at some point in time.[4] For the next few years after the term was coined (2001–06), the idea of an institutionalised BRICs was floated, but there was no specific move to formalise the group.

The BRIC countries' gaining strength from their economic reform processes, buoyed by newly emerging confidence, reached a few milestones during 2001–08. Some of the most important milestones achieved during this period include China joining the World Trade Organisation (WTO) (2001) and opening up a process of modernisation of its industries and services (2001); Brazil kick-starting a period of unprecedented economic prosperity (2003); China overtaking Germany as the third-largest economy (2007); and Brazil joining China and the Persian Gulf states by becoming a global creditor for the first time, as well as introducing a sovereign wealth fund to invest excess capital (2008).

As far as formalisation of the group is concerned, a first move in this direction was made in September 2006 when the first meeting of the BRIC foreign ministers took place, as a side event to the 61st UN General Assembly in New York. This was followed by several other meetings. In the September 2007 and 2008 meetings, foreign ministers met in a side event to the 62nd UN General Assembly in New York; and the second and third meetings of foreign ministers took place in Russia. Other meetings also took place during 2007 and 2008, including the BRIC Heads of State/Government meeting in July 2008 and the finance ministers' meeting in November 2008. At the third meeting of foreign ministers, it was

[4] None of the two papers argues that the BRICs would formalise and organise themselves into an economic bloc.

decided to boost co-operation between the four countries on various fronts and in various ways. The broad objective was *building a more democratic international system founded on the rule of law and multilateral diplomacy*. The immediate focus, however, was to ease the burden of soaring global food prices. The BRIC countries also resolved to work together and with other countries in order to strengthen international security and stability.

The move towards formalisation of the group was concretised when the BRIC leaders held their first summit on 16 June 2009 in Yekaterinburg, Russia, calling for a more democratic and multipolar world based on the rule of international law, equality, mutual respect, co-operation, co-ordinated action, and collective decision making of all states. Since then annual summits have been held in each of the remaining BRIC countries, with the last one being held in India. The inclusion of South Africa into the group expanded the acronym to BRICS in 2010, and since then the new acronym has symbolised the collective economic power of Brazil, Russia, India, China, and South Africa (Table 2).

Table 2: BRICS summits

Overarching theme: BRICS Partnership for Global Stability, Security and Prosperity

Summit	***Participants***	***Date***	***Location***
1st	BRIC	16 June 2009	Yekaterinburg, Russia
2nd	BRIC	16 April 2010	Brasília, Brazil
3rd	BRICS	14 April 2011	Sanya, China
4th	BRICS	29 March 2012	New Delhi, India

Source: New Delhi BRICS 2012, http://www.bricsindia.in.

EVOLUTION AND PRESENT STRUCTURE

The BRICS forum has evolved and expanded after formalisation of the group. In addition to the four founder countries, it now includes South Africa, as discussed. During 2001–10, the BRIC countries achieved significant gains in both an economic and a political sense. As far as demographic and economic progress of the group is concerned, in 2010 BRICS countries collectively accounted for more than 40% of the global population and nearly 30% of the land mass. The group constituted a share of about 25% of the world GDP in PPP terms compared with 16% in 2000. This is expected to rise significantly in the near future.[5] Along with improvements in economic indicators, the group has also realised improvement in social indicators, such as increased literacy levels.

Significant positive changes have taken place in all the BRICS countries over the last two decades (1990–2010). The economic size in nominal terms (US dollars) has increased manifold – with Brazil by over four times, India nearly five times, China over fourteen times, and South Africa by over three times. The situation further improves if comparison is made based on PPP. China has emerged as the second-largest economy, followed by India in fourth position, Russia in sixth and Brazil in eighth. The increasing trend in GDP is reflected further by a significant increase in per capita income over the last two decades.

These have brought in perceptive changes about the potential and importance of BRICS in reshaping the global economic order. The BRICS, now increasingly recognised as some of the fastest-growing countries and the engines of the global recovery process, plays a formidable role in shaping macroeconomic policy, as was observed after the financial crisis (2008–10).

[5] BRICS, *The BRICS Report 2012*. India: Oxford University Press, 2012.

BRICS IMPORTANCE IN THE EMERGING WORLD ORDER

The BRICS growing importance for the world economy is reflected by various economic and demographic indicators. These include, but are not limited to, their increasing share in world GDP; share in world trade; trade openness and increasing forex reserves; and their foreign direct investment (FDI) inflows and outflows.

Regional/common market and share in global GDP

The BRICS economies, if viewed collectively over the last two decades, have emerged as a force to be reckoned with. This is duly reflected by the increasing share of BRICS in the world GDP. From a share of a little over 10% of the world GDP in 1990, BRICS now commands a share of more than 25%. This implies that the economic size of BRICS in terms of its share in world GDP expanded by 150% in the two decade periods.

Table 3: Overview of BRICS, 1990 and 2010

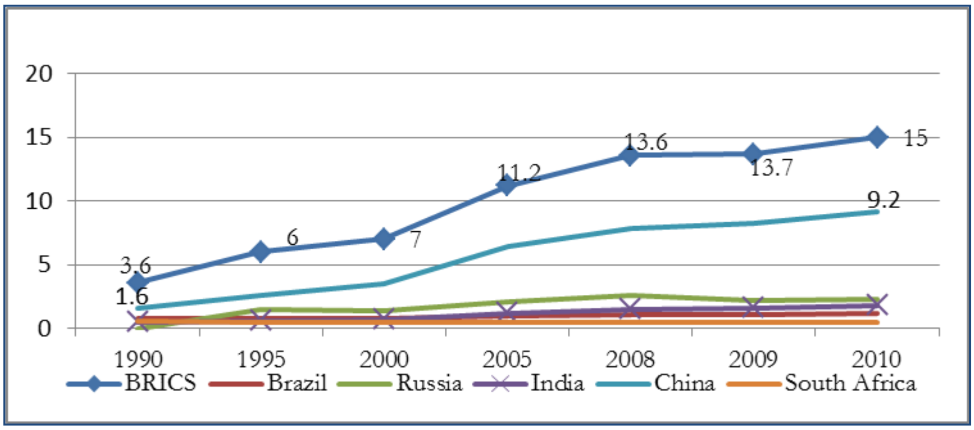
Country	Rank in world	GDP (PPP bn)	GDP ($ bn)		Share in world GDP (%)		Per capita GDP ($)	
			1990	2010	1990	2010	1990	2010
Brazil	8	2,172	508	2,090	3.3	2.9	3,464	10,816
Russia	6	2,223	–	1,465	–	3	–	10,437
India	4	4,060	326	1,538	3.1	5.4	378	1,265
China	2	10,086	390	5,878	3.9	13.6	341	4,382
South Africa	26	524	112	357	0.9	0.7	5,456	7,158

Source: IMF (International Monetary Fund) database, adapted from The BRICS Report 2012. India: Oxford University Press, 2012.

Share in global trade

As in the case of their share in world GDP, the BRICS share in world trade has also improved significantly over the last two decades, from 3.6% to over 15%. The primary contribution to this in terms of value has come from China, whose share has increased from less than 2% to over 9%. This is, however, not to argue that other BRICS countries have not contributed. Their shares have also increased, with Brazil's share rising from 0.8% to 1.2%; Russia's from 1.5% to 2.3%; and India's from 0.5% to 1.8%. South Africa is the only country in the group whose share in world trade has remained constant over the last two decades.

Figure 1: Trend in BRICS share in global trade (%), 1990–2010



Source: UNCTAD, adapted from The BRICS Report 2012. India: Oxford University Press, 2012.

Trade appears to have played a significant role in boosting the economic growth prospects of these countries. There is evidence to suggest that trade liberalisation has been seen and used as a tool for promoting economic growth and facilitating development in all the BRICS countries.

Table 4: Global integration and evolution of BRICS economies

Indicators	*Year*	*BRICS economies*				
		Brazil	*Russia*	*India*	*China*	*South Africa*
Trade openness	1990	6.9	–	6.9	17.4	24.3
	2010	11.2	30.3	21.7	29.5	27.9
Current account balance (% of GDP)	1990	0.8	–	–1.2	1.3	1.4
	2010	–2.3	4.9	–3.2	5.2	–2.8
Forex reserves (% of GDP)	1990	1.5	0	0.5	7.6	0.9
	2010	13.7	30.4	18	48.8	10.7
External debt ($ bn)	1990	119.7	–	85.7	55.3	23.3
	2009	276.9	381.3	237.7	428.4	42.1
Debt service ratio	1990	22.5	4.4	34.9	11.7	–
	2009	**23.4**	**17.7**	**5.9**	**2.9**	**9.3**

Source: IMF, UNCTAD & World Bank, adapted from The BRICS Report 2012. India: Oxford University Press, 2012.

BRICS countries have become more open, reflected by indicators such as trends in trade openness,[6] current account balance and forex reserves, among others. In most of these parameters, BRICS countries have performed reasonably well, as reflected by Table 4. The rising GDP and forex reserves, increasing share in global trade, and trade openness augurs well for the group as a whole. They have bolstered the BRICS economic and political status at the global level and have helped BRICS countries to play a bigger role, as evidenced in the aftermath of the global crisis periods.

Trend in FDI inflows and outflows

Sustained economic activities buoyed by and coupled with a growth-oriented strategy in BRICS countries since the 1990s have resulted in significant infrastructural and other favourable changes. Together these have put the countries on a higher growth trajectory and increased market size of products and services. In other words, they have transformed BRICS countries into attractive destinations for FDI.

Table 5: Trend in cross-country flows of FDI ($ bn)

Country	***FDI inflows***			***FDI outflows***			***Inflows/outflows ratio***		
	1990	***2000***	***2010***	***1990***	***2000***	***2010***	***1990***	***2000***	***2010***
				BRICS					
Brazil	1.0	32.8	48.4	0.6	2.3	11.5	1.7:1	14.3:1	4.2:1
Russia	0.0	2.7	41.2	–	3.2	51.7	--	0.8:1	0.8:1
India	0.2	3.6	24.6	0.0	0.5	14.6	--	7.2:1	1.7:1
China	3.5	40.7	105.7	0.8	0.9	68.0	4.4:1	45.2:1	1.61
South Africa	–0.1	0.9	1.6	0.0	0.3	0.5	--	3:1	3.2:1
				Selected advanced economies					
Japan	1.8	8.3	–1.3	50.8	31.6	56.3	0.3:1	0.2:1	0.02:1
UK	30.5	118.8	45.9	17.9	233.4	11.0	1.7:1	0.5:1	4.2:1
US	48.4	314	228.2	31.0	142.6	328.9	1.6:1	2.2:1	0.7:1

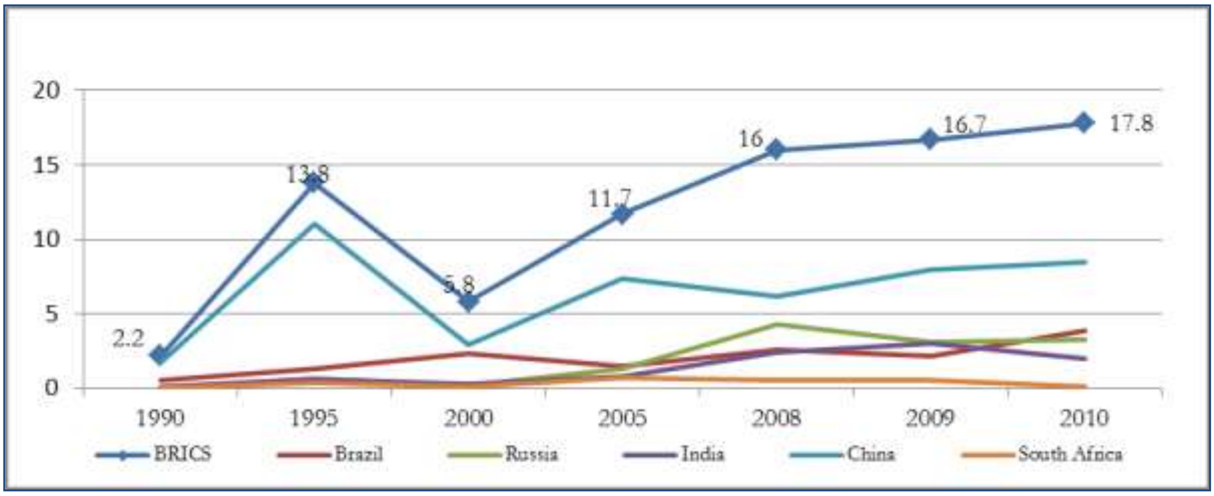
Source: UNCTAD, adapted from The BRICS Report 2012. India: Oxford University Press, 2012.

[6] Trade openness is defined as the sum of exports and imports as a percentage of GDP.

Data demonstrates that FDI inflows in BRICS countries have increased at a compound annual growth rate (CAGR) of nearly 11% over a ten-year period, from nearly $81 billion in 2000 to over $221 billion in 2010. In comparison, FDI inflows in some industrially advanced countries show a declining trend (Table 5). The trend of FDI outflows is similar to that of inflows. FDI outflows from the BRICS countries have increased at a CAGR of over 35%, compared with a declining trend in some industrially advanced countries, as reflected by Table 5. This is proof that BRICS economies are not only major destinations for FDI, but are also playing an increasingly important role in meeting global demands for capital.

As far as the share of BRICS economies in global FDI inflows is concerned, in 2010 the group accounted for nearly 18% of total global FDI. What is more important is the fact that since 2000, there has been a sharp increase in the share of these countries in global FDI, when it was recorded at less than 6%.

Figure 1: Trend in BRICS Share in FDI (% of global inflows), 1990–2010



Source: The BRICS Report 2012. India: Oxford University Press, 2012.

Trend in growth of labour force

BRICS countries continue to have a dominant share both in world population and labour force. In 2012, according to data from the International Labour Organization (ILO), BRICS constituted more than two-fifths of the world population, and, more importantly, constituted a little higher share in the economically active labour force (Table 6). Within the BRICS countries, China accounts for the highest share in both population and economically active population. India, though having second-highest population, shows a relatively lower percentage of economically active compared with Brazil and Russia in the group. However, in terms of numbers, India has and will continue to have a huge economically active population in the coming years.

Table 6: Trend in economically active population (% of total population)

	2000	2012	2020[a]
Brazil	68.1	69.9	69.4
China	77.0	73.9	71.4
India	59.5	55.5	55.1
Russian Federation	61.2	63.2	62.5
South Africa	52.2	52.5	54.3
Total (BRICS)	68.7	65.6	64.0
Total (World)	*65.3*	*64.1*	*63.6*
Share of BRICS in world population	44.8	44.2	43.4
Share of BRICS in world economically active population	47.2	45.3	43.7

[a] *Projection.*

Source: Based on ILO Labour Statistics, http://laborsta.ilo.org/applv8/data/EAPEP/eapep_E.html.

Considering that some countries in the group, such as India, currently have a major proportion of their population below working age who would have migrated to working age by 2025, the dominating position of BRICS is expected to continue. For example, the labour force in India, which has a population of 1.21 billion, is expanding fast and integrating rapidly into the global economy. India is considered among the 'young' countries in the world, with the proportion of the workforce in the age group of 15–59 years increasing steadily.[7] Considering that labour forces in economically developed countries are declining, this will have a huge implication for the world economies. Importantly, at the time of writing, only 2% of India's total workforce has undergone skills training. Similar challenges are faced by some of the other BRICS countries. It is expected that with increases in workforce coupled with skill development, BRICS economies will be in a more favourable position in 2020. BRICS countries have a great opportunity to meet the future demands of the world. They can, in fact, become the worldwide sourcing hub for a skilled workforce.

[7] FICCI (Federation of Indian Chambers of Commerce), 'Skills Development: Sector Profile', http://www.ficci.com/sector/74/Project_docs/SectorProfile.pdf.

Preparedness: Competiveness, ease of doing business, ease of movement of people

The BRICS countries are gearing themselves towards preparing for a greater role in the international market. The drive is being supported by a number of initiatives in different BRICS countries to increase their global competitiveness, and to facilitate ease of doing business and promoting increased movement of people. For example, to facilitate ease of doing business in India, the government has introduced many initiatives. These include no added transaction costs; enabling overseas investors to benefit from the opportunities in India by facilitating appropriate advisory and hand-holding services through market-driven knowledge partners; catalysing sustainable business-to-business partnerships between Indian and overseas Indian businesses; and enabling value addition to the investible knowledge skills and expertise of overseas Indians. Brazil has also introduced measures to eliminate barriers to entrepreneurial activity by, for example, reducing the number of procedures, the number of days, and the cost associated with obtaining a business licence. Similar initiatives have also been adopted in other BRICS countries.

Table 7: Comparing BRICS countries in ease of doing business, 2009–12

Country	2009	2010	2011	2012
Singapore	1	1	1	1
Hong Kong	2	2	2	2
New Zealand	3	3	3	3
US	4	4	5	4
Denmark	5	6	6	5
Norway	10	10	8	6
Russia	118	120	123	120
Brazil	127	129	127	126
India	132	133	134	132
China	86	89	79	91
South Africa	32	34	34	35

Source: World Bank, Ease of Doing Business 2012. Washington, DC: World Bank, 2012.

However, much still needs to be done in all five BRICS countries. According to the World Bank's annual report, *Doing Business 2012,*[8] Brazil was ranked 126th and Russia 120th out of 183 countries in the Ease of Doing Business. India was ranked the lowest in the group, at 132nd, although when compared with 2011 its position is up by seven places on the list. Two countries that appeared to be doing relatively better are South Africa and China (with 35th and 91st positions respectively).

The report also shows that since last year Russia has climbed up by three positions. This improvement in the country's rating has resulted from a number of reforms implemented in Russia. These include reducing the cost of electricity by revising connection tariffs; eliminating the requirement to obtain cadastral passports on land plots; making it easier to file a commercial case by introducing an electronic case filing system; and making trading across borders easier by reducing the number of documents needed for each export and import transaction, and lowering the associated cost.

8 IBRD (International Bank for Reconstruction and Development) & World Bank, *Doing Business in a More Transparent World.* Washington, DC: IBRD & World Bank, 2012.

TRENDS IN INTRA-BRICS CO-OPERATION

Trends in intra-BRICS co-operation are reflected by trends in intra-BRICS trade. Data clearly demonstrates that intra-BRICS trade has witnessed a significant increase over the last decade, as described below.

Trends in trade

Trade is one of the most important indicators of how co-operation between the BRICS countries is evolving. Data shows that intra-BRICS trade now constitutes 8.5% of total trade of these countries. Currently the intra-group trade figure does not appear to be high. However, if one considers the changing trade dynamics over the past two decades, especially in the context of bilateral trade agreements entered into by BRICS countries, the figure becomes significant.

Table 8: Trend in intra-BRICS trade (% of total trade), 2009–11

	2009	***2010***	***2011***
Import	10.64	11.03	10.19
Export	7.61	8.60	8.36
Total intra-BRICS trade	8.9	9.2	8.5

Source: ITC Trade Map, http://www.trademap.org/SelectionMenu.aspx; Computed by the author based on ITC database.

Indications show that countries in the group are giving increased focus to intra-group trade. This is reflected specifically by trade data for Brazil and South Africa. Intra-group trade for these two countries is around 20% of total trade. In the other BRICS countries, intra-group co-operation in trade is also improving.

Table 9: Trend in intra-BRICS trade (%), 2009–11

Country	***Export (% of total exports)***			***Import (% of total imports)***		
	2009	*2010*	*2011*	*2009*	*2010*	*2011*
Brazil	18.13	20.11	20.86	15.63	17.97	18.88
China	5.71	6.70	7.09	7.16	7.15	8.50
Russia	7.91	7.14	8.73	16.52	18.39	19.62
India	8.53	11.87	--	15.76	15.71	--
South Africa	15.36	16.95	18.20	18.51	19.71	20.12

Source: ITC Trade Map, http://www.trademap.org/SelectionMenu.aspx; Computed by the author based on ITC database.

Trends in intra-group exports at country level are reflected in Table 10. Within the group, China appears to have become a market of high potential for both imports and exports originating from the BRICS market. In fact, it has become the largest trading partner for Brazil, Russia and South Africa; and the second-largest partner for India. The trend is expected to continue in the coming years, making the group important not only for BRICS countries but also for many other economies.

Table 10: Trend in intra-BRICS exports, 2009–11

Brazil's exports (% of total exports)			
Countries	***2009***	***2010***	***2011***
India	2.23	1.76	1.25
China	13.20	15.58	17.31
Russia	1.87	2.10	1.65
South Africa	0.82	0.66	0.66
Russia's exports (% of total exports)			
Brazil	0.36	0.45	0.44
China	5.52	5.08	7.26
India	1.97	1.60	1.00
South Africa	0.06	0.01	0.02
China's exports (% of total exports)			
Brazil	1.17	1.55	1.68
India	2.47	2.59	2.66
South Africa	0.61	0.68	0.70
Russia	1.46	1.88	2.05
India's exports (% of total exports)			
Brazil	1.01	1.66	na[a]
China	5.87	7.91	na
South Africa	1.11	1.66	na
Russia	0.55	0.63	na
South Africa's exports (% of total exports)			
Brazil	0.66	1.00	0.88
China	10.53	11.38	13.36
India	3.84	4.17	3.63
Russia	0.33	0.40	0.33
Russia's exports (% of total exports)			
Brazil	0.36	0.45	0.44
China	5.52	5.08	7.26
India	1.97	1.60	1.00
South Africa	0.06	0.01	0.02

[a] Data not available (na).
Source: ITC Trade Map, http://www.trademap.org/SelectionMenu.aspx; Computed by the author based on ITC database.

What the BRICS GDP, Trade and Investment mean to the world economy

Over the years BRICS has emerged as a very important group in terms of many economic and demographic parameters. BRICS now constitutes the fastest-growing and largest emerging-markets economies. They account for almost three billion people, or just under half of the world's total population. Their increasing share in GDP, FDI, and trends in economically active population might have a huge impact in shaping future economic and political world dynamics.

There are a number of projections indicating that it is only a matter of time before China becomes the biggest economy in the world. The general consensus is that this is likely to occur between 2030 and 2050. The Goldman Sachs paper[9] clearly indicates that by 2050 the BRICS countries will become the world's most important economies, replacing the US as the biggest economy. If the present trend in growth of GDP, FDI inflows–outflows and the increasing importance of these countries in reshaping international trade relations continues, the prediction made by Goldman Sachs and other economists could be realised. Possibly as early as 2020, all of the BRICS could be trending towards the top 10-largest economies in the world.

The growing importance of BRICS can be understood from what many economic thinkers believe about the recent European crisis: growth in BRICS countries is far more critical for global economic health than the fate of Greece, as BRICS gains could easily counterbalance losses from Europe's crisis.[10] Data indicates that China creates an economy equivalent to Greece every 11-and-a-half weeks. Further, China's GDP totalled $7.26 trillion in 2011 and is set to surpass the world's largest economy, the US, by 2016, according to a forecast by the IMF.[11] In 2011 the combined dollar GDP of the four BRIC countries (minus South Africa) increased by 2.1 trillion dollars. This is equivalent to creating an economy the size of Italy every 15 months, making the group the most important in the world economy.

In all likelihood, if the present trend continues, the BRICS countries will become an increasingly significant group in the coming years. Their emergence might require the establishment of a new world economic and political order, and might lead to enhanced engagement with other groups such as the Organisation for Economic Co-operation and Development (OECD) for advancing mutually beneficial discussions. This will also be needed for improving economic environments and to ensure a global level playing field for

[9] Goldman Sachs, 2003, *op. cit.*
[10] Jim O'Neill from Goldman Sachs: *RT*, 'Global economy needs BRICS, Greece 'dispensable'", 23 May 2012, http://rt.com/business/news/china-brics-greece-growth-949.
[11] IMF, *World Economic Outlook 2011*. Washington, DC: IMF, 2011.

business.[12] Because of their economic importance, the BRICS countries could be the main focus of the OECD. This could be achieved, economists believe, by working together, and carving out the future economic order. At the sectoral level, it is being argued that whereas China will dominate in manufactured goods, India will control services, and Russia and Brazil raw material supplies. South Africa, on the other hand, could emerge as a very important mineral supplier within and outside BRICS – a study by the US-based Citigroup bank recognises South Africa as the world's richest country in terms of its mineral reserves, worth an estimated $2.5 trillion. South Africa is already the world's largest producer of platinum, chrome, vanadium and manganese, the third-largest gold miner, and offers highly sophisticated mining-related professional services.[13]

[12] BIAC (Business and Industry Advisory Committee) The Voice of OECD Business, 'OECD must deepen its engagement with major emerging economies', http://www.biac.org/news/70410_oecd_must_deepen_its_engagement.htm.
[13] Durban BRICS 2013, 'South Africa in BRICS', http://www.brics5.co.za/site/about-brics/south-africa-in-brics.

MAJOR ISSUES AND CONCERNS FACED BY BRICS

The BRICS group is rapidly consolidating and becoming a force to reckon with in global governance. The March 2012 BRICS Summit in India also completed the hosting cycle of the original BRIC members and, with South Africa hosting the next BRICS summit in 2013, the hosting cycle will be complete for the entire group. If anything, this milestone is an indication of the group's staying power. The 2012 BRICS summit, which was held under the theme of 'BRICS Partnership for Global Stability, Security and Prosperity', emphasised co-operation among BRICS countries on various economic and development issues, including trade and investment, food security, sustainable development and energy, health, terrorism, science, development, and technology and innovation, in addition to the global financial and economic management agenda. This was in acknowledgement of common development issues and concerns faced by BRICS countries, and signifies a concerted effort towards a co-operative approach to development in the BRICS countries and regions.

Trade and investment

The fast-growing middle class in the BRICS countries has encouraged the expansion of trade among the BRICS countries, facilitating the radical transformation of global trade where significant trade volumes are bypassing the Western markets.[14] Trade among developing countries generally is increasing at a fast pace. Among the BRICS in particular it has grown significantly, with China as the driver of this trade.[15] Nevertheless, beyond the bilateral relationships with China, trade and investment linkages among the BRICS countries are fragile and disjointed.

The BRICS summit meetings have reiterated the importance of increased intra-BRICS trade and investment to facilitate growth and development of the BRICS economies as well as the world economy. The history of trade co-operation among all the BRICS countries is relatively weak[16] and, given the nature of their bilateral relations, improving on this state of affairs will be a tall order. Despite a fast growth rate in intra-BRIC trade, this has been mostly in the form of Russia, Brazil and South Africa supplying commodities to China and India,[17] more so to China than India, while China is major exporter of manufactures to all the other BRICS.[18] The BRICS countries also have different economic growth strategies that determine their economic policies. China's economy is driven by its exports of

[14] Keeler D, 'Special report: BRICS – Shifting trade flows and the new consumer', Global Finance, http://www.gfmag.com/archives/147-february-2012/11604-special-report-brics.html#axzz2IO4bDzyn.
[15] *Ibid*.
[16] Conçalves JB, 'BRIC – Cooperation in trade and industry', in Unnikrishnan N & S Saran (eds), *BRIC in the New World Order. Perspectives from Brazil, China, India and Russia*. India: Macmillan Publishers & Observer Research Foundation, 2011.
[17] Thomas D, 'Building with new BRICs', http://bricandchina.com/storage/White%20Paper%20FINAL2.pdf.
[18] Draper P, 'BRICS Summit 2012: Inching towards a BRICS Trade and Investment Agenda', SAIIA, 16 March 2012, http://www.saiia.org.za/feature/brics-summit-2012-inching-towards-a-brics-trade-and-investment-agenda.html.

manufactures and central role in the global value chains; but its domestic consumption is still very limited, which creates a current account surplus for China. There is China's currency manipulation, where the pegging of the renminbi to the US dollar gives China an unfair trade advantage by making its exports cheaper. This practice has been criticised openly only by Brazil.[19] The currency issue is and will continue to be a source of tension in the BRICS unless it is dealt with effectively. The above-mentioned factors have helped turn China into a net creditor on the international market. Nonetheless, there is a growing challenge to China's role and position within the BRICS trade equation and its economic relationship with the rest of the world. The cost of production in China is increasing due to the rising cost of production inputs such as energy and land; increasing skilled labour shortages; and the rising wage cost and lack of adequate infrastructure to link production bases to consumption bases. Given these dynamics, China is working on changing its economic model to a consumption-led one, which would have significant impacts on the BRICS partners.[20]

Russia's economy is also export oriented, based on its energy resources. Russia acknowledges that this economic trajectory is unsustainable in the long run and is looking to diversify its export basket and to venture into manufacturing.[21] Russia's recent accession to the WTO is expected to boost inward trade and investment, but, given the state capitalism dynamics in the country, the future trade policy trajectory is not yet entirely clear.[22] India's economy, on the other hand, is driven by strong capital imports and, because of its flexible exchange rate policy, it is plagued by current account deficits. Brazil and South Africa are also experiencing current account deficits.[23] Brazil's imports are aimed at boosting domestic demand while, in the case of South Africa, the deficits are also caused by its regional integration obligations which result in neighbouring countries investing their current account surpluses in South Africa. Brazil's biggest exports are in agriculture and, although the country is consequently keen to see further market opening for processed agricultural exports, particularly under the Doha Round, Brazil is still keen on its industrialisation to promote manufacturing.[24] Brazil's huge domestic market and steady economic growth also work to ensure that the country remains an attractive investment destination. Despite these factors, currency appreciation remains a growth hurdle for Brazil and, consequently, the country is outspoken on currency manipulation issues, as discussed in the case of China.

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19 Although the BRICS Delhi Declaration criticised developed economies over monetary policies that give them an unfair trade advantage, there was no mention of China, with the BRICS countries electing to close ranks around one of their own.
20 Draper P, *op. cit.*
21 Schrooten M, 'Brazil, Russia, India, China and South Africa: Strong economic growth – Major challenges', DIW Berlin (German Institute for Economic Research) Economic Bulletin, 4, 2011, https://www.econstor.eu/dspace/bitstream/10419/57689/1/68477187X.pdf.
22 Draper P, *op. cit.*
23 Schrooten M, *op. cit.*
24 Draper P, *op. cit.*

South Africa is richly endowed with natural resources but is also keen to expand its manufacturing base and to export more value-added products. South Africa's biggest challenge is that of inclusive growth and employment. As such, it is implementing policy measures designed to foster skills development, youth employment and industrial development, among other objectives.[25] On a trade level, currently South Africa is focused on regional integration initiatives, based on the premise that an underdeveloped African continent is not conducive to South Africa's own economic growth. These initiatives are also very important for the promotion of South Africa's value-added goods.

Thus although the trading relationships can be said to be complementary, the commodity producers are keen to promote more value add to their products. It should also be kept in mind that the BRICS countries compete against each other on the international markets. In the WTO, the largest number of complaints against the Chinese have been initiated by Brazil, with India also seen as a threat to Brazilian producers in the steel and software sectors.[26] The value to a country's exports is in the added value to the products and not mere volume as the dynamics to the BRICS trading relationship demonstrate. This means that reaching the desired commitment of increased and integrated trading relationships among the BRICS will be achieved only through a process of confrontation, negotiation and co-operation.[27]

There does, however, seem to be progress in the area of facilitating trade among the BRICS. Two agreements were signed at the 2012 BRICS summit: the Master Agreement on Extending Credit Facility in Local Currency and the Multilateral Letter of Credit Confirmation Facility Agreement.[28] These agreements were signed by the export–import banks of the five BRICS countries, namely the Brazilian Development Bank, Russia's State Corporation Bank for Development and Foreign Economic Affairs, India's Exim Bank, the China Development Bank Corporation and the Development Bank of Southern Africa.[29] These agreements will allow trade among the BRICS countries to be conducted in domestic currencies, thereby eliminating the use of the US dollar and reducing the risk of currency volatility, as well as promoting the internationalisation of BRICS currencies.[30]

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25 India, Ministry of Finance, *The BRICS Report: A Study of Brazil, Russia, India, China, and South Africa with Special Focus on Synergies and Complementarities.* New Delhi: Oxford University, 2012.
26 Martinov B, 'BRICS: Dawn of a new era, or business as usual?', *Security Index: A Russian Journal on International Security*, 17, 3, 2011, pp. 73–79.
27 Conçalves JB, *op. cit*.
28 South Africa.info, 'BRICS Development Bank one step closer', 29 March 2012, http://www.southafrica.info/global/brics/bank-290312.htm#.UH7JTcWHdK0.
29 *Ibid.*
30 India, Ministry of Finance, *op. cit*.

The real battle with trade and investment in the BRICS trade and investment arena lies in the ability to resolve bilateral trade tensions. Success in achieving this will help to strengthen the group's standing in the international economic negotiations.[31]

Infrastructure and industrial development

The BRICS share the challenge of infrastructure deficiency in their countries and regions. Infrastructure is particularly important for economic growth and, for emerging economies of the BRICS, in the age of globalisation infrastructure becomes important if they are to have a role in the global economy[32] and participate in the global value chains. The key areas of infrastructure development needed in the BRICS countries are in energy; telecommunication; transport (particularly road and rail); and access to improved water and sanitation.[33] Some of the BRICS countries have implemented or are in the process of implementing ambitious infrastructure plans. China has been making significant headway in its infrastructure development plans and has managed, in the past 20 years, to build '40 000 miles of expressways, the world's most extensive high speed rail system, futuristic airport terminals, extensive urban subway systems and massive hydroelectric dams.'[34] The country still faces challenges, such as the July 2011 bullet train collision, which damaged its record for efficient high-speed rail systems; budget constraints are interfering with road construction across the country; and there are still challenges when it comes to the provision of water and potable water. As much as two-thirds of China's cities are reported to be lacking in adequate water, while tap water in most parts of the country is not of drinking quality.[35]

India, on the other hand, is busy constructing new ports and airports, subways, freight rail, power generation and tolled highways, and has devoted 8% of its GDP to infrastructure projects. The challenges that India faces in its infrastructure drive include a bourgeoning population, which puts pressure on infrastructure; and attracting investment in infrastructure, owing to a difficult investment environment fuelled by poor regulatory frameworks and bureaucratic red tape.[36]

With Brazil's hosting of the upcoming 2014 World Cup and 2016 Summer Olympics, the country is struggling to meet targets for the required infrastructure development projects. These projects include subway extensions, bus rapid transport routes, new highways, port upgrades and airport expansions. The high-speed rail system meant to connect the major

31 Draper P, *op. cit*.
32 Goldman Sachs International, 'Building the World: Opportunities in Infrastructure', CEO Confidential, 2006-06, 15 June 2006, http://www.goldmansachs.com/ceoconfidential/CEO-2006-06.pdf.
33 *Ibid*.
34 Ernst & Young, 'Global infrastructure progress', http://www.ey.com/GL/en/Industries/Real-Estate/Global-infrastructure-progress.
35 *Ibid*.
36 *Ibid*.

cities of Rio de Janeiro and São Paulo has also faced challenges in selecting a contractor; and currently it is doubtful that this will be achieved in time for the Olympics.[37]

Russia also suffers from serious underdevelopment in the infrastructure sector. Having inherited the bulk of its infrastructure from the former Soviet Union, harsh climatic conditions, inadequate investment from both the state and the private sector in the infrastructure sector, and corruption have left the country's infrastructure in a state of severe disrepair.[38] Consequently, Russia trails other developed countries in terms of infrastructure development.[39] The Russian government has come up with an infrastructure development programme up to 2030 and plans on making significant investments into the infrastructure sector. In the past 10 years the government has spent RUB 1.9 trillion ($57 billion); but needs to spend an additional RUB 1.5 trillion ($45 billion) to ensure adequate maintenance of the infrastructure.[40] The high cost of infrastructure development is another hurdle with which Russia has to contend, mostly because of corruption and a lack of competition in the sectors.[41]

In South Africa, infrastructure is at the core of the government's stimulatory fiscal package and a key component of the New Growth Path.[42] In his State of the Nation address for 2012, the president of South Africa, Jacob Zuma, outlined a very ambitious Strategic Infrastructure Plan. Estimates are that ZAR 4 trillion would need to be invested in infrastructure development in the next 15 years if the plan is to be fulfilled.[43] The targeted sectors are in rail, ports, roads, electricity, water and telecommunications. In line with the renewed emphasis on infrastructure, the South African government has established several institutions designed to strengthen the state's capacity to deliver on its infrastructure commitments, which are as follows:[44]

- The Department of Performance Monitoring and Evaluation in the Presidency, tasked with facilitating delivery agreements for all infrastructure departments and monitoring their implementation;
- The National Planning Commission, located in the Presidency, tasked with developing a long-term vision and strategic plan for South Africa, alongside

37 *Ibid.*
38 Adelaja T, 'Russia's creaking infrastructure is in dire need of private investment' *RiaNovosti*, 22 June 2012, http://en.rian.ru/analysis/20120622/174192428.html.
39 *Ibid.*
40 *Ibid.*
41 Kolleeny GS, 'PPP and the rebuilding of Russia's infrastructure: Panacea or waste of resources', *Moscow Times*, 6 September 2011, http://www.salans.com/en-GB/Locations/~/media/Assets/Salans/Publications/2011/20110906-PPP%20and%20the%20Rebuilding%20of%20Russias%20Infrastructure.ashx.
42 The New Growth Path is a policy that was introduced by the Economic Development Department in 2010, and is aimed at creating and enhancing economic growth, employment growth and equity.
43 Allix M, 'Zuma fleshes out government's infrastructure plans', *Business Day Live*, 19 October 2012, http://www.bdlive.co.za/economy/2012/10/19/zuma-fleshes-out-governments-infrastructure-plans.
44 (DBSA) Development Bank of Southern Africa and South Africa, The Presidency, *The State of South Africa's Economic Infrastructure: Opportunities and Challenges 2012*. Midrand: DBSA, 2012.

advising Cabinet on cross-cutting issues that impact on South Africa's long-term development. Infrastructure is one of the key issues addressed by the commission;

- The newly created Presidential Infrastructure Coordination Commission headed by the President, that will co-ordinate and oversee the implementation of strategic infrastructure projects that stimulate social and economic growth;
- The Presidential Review Committee on State-owned Enterprises (SOEs) that aims to align SOEs with the government's development agenda, including that of infrastructure development.

South Africa's infrastructure drive is linked closely to the theme of regional integration, based on the realisation that South Africa's development and growth is also dependent on that of the region's. The Strategic Infrastructure Plan therefore also touches upon regional infrastructure projects.

The challenge for these countries of course lies in financing and investment. The infrastructure challenge is also about infrastructure development in the various regions in which the BRICS countries are situated. To facilitate co-operation in this area, the BRICS countries could set up infrastructure funds to mobilise retail and institutional investors, as well as encourage public–private participation in the infrastructure drive.[45] One of the potential ways in which the financing challenge is anticipated to be met is through the mooted BRICS Development Bank. The BRICS bank would be expected to fund development and infrastructure projects in developing countries; promote sustainable development; facilitate increased trade and trading opportunities; and offer support to the social development sectors. The New Delhi summit communiqué directed BRICS financial experts to undertake a feasibility study with regard to the establishment of the BRICS bank. Although currently details are sketchy, it is expected that the 2013 BRICS Summit in South Africa will provide more clarity on where things stand.

Food security

Agriculture has been high on the agenda of international institutions and country groupings since the global food crisis of 2008. The BRICS have been no exception, and from the very first summit in 2009 they have made pronouncements on food security. The BRICS countries can promote food security in their territories through initiatives that include:[46]

> *the creation of a basic agricultural information exchange system in BRICS countries; development of a general strategy for ensuring access to food for the most vulnerable section(s) of the population;*

45 India, Ministry of Finance, *op. cit.*
46 *Ibid.*

> *undertaking measures to reduce the negative impact of climate change on food security, adapting agriculture to climate change; and enhancing agricultural technology co-operation and innovation as well as [promoting] trade and investment in agriculture.*

Such initiatives would require a strategic approach to agricultural development in all the BRICS countries, particularly taking into consideration the importance of the agricultural sector in some of the BRICS countries, for both food security and economic development purposes. The agricultural sectors in all the BRICS countries, however, face a few challenges. These include the impact of climate change on productivity; issues of water security; commodity price volatility, which leads to a rise in food prices; rising input costs and diverted agricultural land; and the challenge of promoting smallholder farming,[47] particularly in the face of other challenges such as urbanisation.

In terms of practical steps for co-operation in the area of food security, the BRICS countries agreed to the following in the Moscow Declaration of BRIC Ministers of Agriculture and Agrarian Development in March 2010:

- to create an agricultural information-base system;
- to develop a general strategy for ensuring access to food for the most vulnerable sections of the community;
- to reduce the negative impact of climate change on food security and adapt agriculture to climate change; and
- to enhance agricultural technology co-operation and innovation.

Following up on this, a BRICS Agricultural Co-operation Working Group was established, which formulated the Action Plan 2012–2016 for Agricultural Cooperation of BRICS Countries. This action plan laid out five co-operation activities, each to be co-ordinated by a different BRICS member. The first activity is the creation of a basic agricultural information system of BRICS countries, to be co-ordinated by China; the second is the development of a general strategy for ensuring access to food for the most vulnerable population, to be co-ordinated by Brazil; the third is the reduction of the negative impact of climate change on food security and adaptation of agriculture to climate change, to be co-ordinated by South Africa; the fourth is the enhancement of agricultural technology co-operation and innovation, to be co-ordinated by India; and the fifth is trade and investment promotion, to be co-ordinated by Russia. This approach by the BRICS countries is holistic and includes the trade, finance and technology aspects of food security.

[47] See Basu PK, 'The role of BRICS countries in food and agriculture development', in Larionova M & J Kirton (eds), *BRICS New Delhi Summit 2012 – Stability, Security and Prosperity*. London & Washington, DC: Newsdesk Publishers, 2012.

Other recommendations on tackling the food security challenge in the BRICS countries include promoting agricultural growth and poverty reduction through the prioritisation of public spending on agricultural research and development (R&D), rural roads and education, as well as the reduction and elimination of input and output subsidies; improving access to markets for smallholder farmers, which includes both input and output markets; and scaling up productive social safety nets, which should be accompanied by improved targeting mechanisms.[48] These actions ought to be prioritised by every BRICS country outside of the official co-operation mechanisms so as to enhance internal food security.

Peer learning and exchanging best practices is another way of dealing with the challenge of food security in the BRICS countries. Brazil provides the best learning example in this area through Embrapa, the *Empresa Brasileira de Pesquisa Agropecuria* or Brazilian Agricultural Research Corporation, which was established in 1973 to develop agricultural technologies through research and innovation.[49] To date Embrapa has developed more than 9 000 technologies, reduced production costs, and increased food supply while being environmentally sustainable at the same time. In addition, some of Embrapa's major accomplishments include turning an area previously considered uncultivable into an 'agricultural frontier'; and turning soybean, a temperate climate crop, into a tropical crop. Embrapa could therefore play a major anchor role when it comes to food security co-operation among the BRICS.

Research and development

R&D is a challenge that cuts across many different sectors in the BRICS countries. At the first Senior Official Meeting on Science, Technology and Innovation in 2011, various areas for co-operation among the BRICS were identified. These include the exchange of information on STI policies and programmes, promotion of technology transfer, new energy, renewable energy and energy efficiency, nanotechnology, basic research, medicine and bio-technology.[50] One way of actualising this co-operation would be by taking advantage of the existing co-operation among think tanks in the BRICS. Different institutes specialising in different research areas could come together and share knowledge in the promotion of R&D.[51]The BRICS New Delhi communiqué emphasised increasing research, development and innovation capacities in the areas of food, pharma, health and energy; as well as basic research in the emerging interdisciplinary fields of nanotechnology, biotechnology, and advanced materials science.

48 Fan S & J Brzeska, *The Role of Emerging Countries in Global Food Security*, IFPRI (International Food Policy Research Institute) Policy Brief, 15 Washington D.C.: IFPRI, 2010.
49 India, Ministry of Finance, *op. cit*. The rest of the discussion on Embrapa draws on this resource.
50 *Ibid.*
51 *Ibid.*

Cultural exchange and tourism

Even though some countries in the group, such as India and China, have had a cultural influence on each other for centuries, culture and tourism are two areas that have yet to find real common ground among BRICS countries. In other words, there is little commonality between these countries, primarily because of differing language, culture, living styles and food habits. This is reflected by the Delhi Declaration, which merely talks of encouraging and expanding the channels of communication, exchanges and people-to-people contact, including in the areas of youth, education, culture, tourism and sports.[52] Even at the bilateral levels, culture and tourism are hardly recognised as tools to facilitate deeper integration of BRICS economies. For example, the Chinese foreign policy instrument mentions tourism and the Brazilian one briefly refers to culture and tourism, but in no way do they reflect that culture and tourism can be a useful tool. The 'Framework for Enhanced Cooperation between Africa and India', however, is an exception. This agreement explicitly recognises the role culture can play in the development and integration of the two societies It also recognises the need to collaborate in the organisation of international training for trainers in the field of cultural goods protection. This emphasises the need for the use of creative and cultural industries, and calls for the development of cultural policies along with the exchange of experiences in the development of creative industries.[53]

Culture and tourism will continue to remain a weak link in the overall co-operation and collaboration between the BRICS countries. Measures similar to those that India and the erstwhile USSR had in the 1970s and 1980s need to be introduced, when the two countries enjoyed a strong cultural, strategic, economic and diplomatic relationship. Such a move will not only further improve relationships between the member countries, but will also facilitate intra-group tourism.

[52] New Delhi BRICS 2012, 'Fourth BRICS Summit – Delhi Declaration', March 2012, http://www.bricsindia.in/delhi-declaration.html.

[53] Mbaye JF, 'New colonialists, the good, the bad, and the ugly: BRICS relevance to the African creative economy', 2012, http://www.arterialnetwork.org/uploads/2012/02/Jane_Mbaye.pdf.

MAJOR STRENGTHS AND COMMONALITIES OF BRICS

As much as the BRICS may have more differences than commonalities, the political economy benefits of this group should never be underestimated, and that is their biggest strength. A quick glance at the statistics reveals that in 2011 the BRICS accounted for 25% of global GDP, 30% of global land area and 45% of the world's population.[54] The basic point of commonality among the BRICS countries is that they are regional leaders in their own right and they have fast-growing economies. South Africa's economy, although not in the same league as that of the other BRICS countries, is the largest on the African continent. Together these countries represent all the underdeveloped regions of the world. The sustainability of BRICS is, however, threatened by the heterogeneous nature of the group and a lack of cohesive identity among its members, especially when compared with such groups as the Group of 7/Group of 8 (G-7/G-8). This could be ascribed to the evolutionary nature of the group, as it seeks to find an identity in which to ground itself. Nevertheless, recent events have seen the beginnings of a culture of commonality among the BRICS countries, at least on certain agendas, and a growing assertiveness in global governance issues. As this assertiveness has grown, questions about the BRICS role in a multipolar world have begun to emerge.

Move towards a multipolar economic and political order

The debate on whether the world has shifted from a unipolar to a multipolar world continues to rage in academic circles. What is clear, however, is that emerging economies are beginning to play a more significant role in the global economy and in global politics. To quote the former president of the World Bank, Robert Zoellick:[55]

> *If 1989 saw the end of the "Second World" with Communism's demise, then 2009 saw the end of what was known as the "Third World". We are now in a new, fast evolving multipolar world economy – in which some developing countries are emerging as economic powers; others are moving towards additional poles of growth; and some are struggling to attain their potential within this new system – where North and South, East and West, are now points on a compass, not economic destinies.*

The world is experiencing a rebalancing of the economic scales, with the developing world becoming a driver of the global economy, and with import demand from these developing countries, led by China, leading the global recovery from the recession.[56] There is also an emergence of multiple poles of growth prompted by the growth of the middle class in the

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54 Lavrov S, 'BRICS: A new generation forum with a global reach', in Larionova M & J Kirton (eds), *op. cit.*
55 Zoellick RB, 'The end of the third world? Modernising multilateralism for a multipolar world', *Law and Business Review of the Americas*, 16, 2010, pp. 371–81.
56 *Ibid.*

developing countries, and their populations joining the world economy as well as the effect of global interdependency/globalisation.[57] It is, however, also emphasised that the emergence of China, India, Brazil and Russia as new growth poles is driven not only by the size of their economies but also because of 'their potential to influence international relations. They have a wide range of military and political resources; some capacity to shape the international order, regionally or globally; some degree of internal cohesion and capacity for state action; a belief in their entitlement to a more influential role in world affairs; and the ability to differentiate themselves from other second-tier states'.[58] Although the world is firmly in the grip of a multipolar order, with new players in the game diffusing economic and political power, the power is not yet evenly distributed among the old players and the new entrants.[59] In as much as the commentary may focus on the shifts in global power dynamics, the world is still more in the 'shifting' process.

One thing is clear; the BRICS countries are gaining more influence in global affairs. All the BRICS countries are members of major international and multilateral institutions, such as the WTO, the UN, the G-20 and the UN Framework Convention on Climate Change (UNFCCC), and are active participants therein. The BRICS discourse is shaped mainly by two distinct processes, namely the Goldman Sachs research report and the diplomatically driven initiative launched by the leaders of the then BRIC countries to formally convene. These processes have come to shape the conceptualisation of emerging powers as well as position these countries in geopolitics.[60] Economic power does not necessarily translate into international influence but it seems the BRICS have so far been able to transform their economic power into international political influence.[61] The effectiveness of such international political influence can be qualified, especially given the lack of cohesion among the BRICS members on certain issues of international significance. Nevertheless, the accession of South Africa to the group served to emphasise the group's intentions with regard to the reform of the global governance system, both economic and political. South Africa is an outlier in terms of economic data, but its real influence in the BRICS comes from its activism on global issues and its influence on the African continent.[62] This has enabled the BRICS to move beyond activism on global economic issues, focusing on the

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57 *Ibid.*
58 Subacchi P, 'New power centres and new power brokers: Are they shaping a new economic order?', *International Affairs*, 84, 3, 2008, pp. 485–98.
59 *Ibid.*
60 Qobo M & M Dube, *The Burdens of Multilateral Engagement and Club Diplomacy for Middle-Income Countries: The Case South Africa in the BRICS and the G20*, Occasional Paper. Johannesburg: SAIIA, forthcoming.
61 Haibin N, 'BRICS in Global Governance: A Progressive Force?', Dialogue on Globalisation. New York: Friedrich Ebert Stiftung, April 2012.
62 *Ibid.*

reform of international economic institutions to global political issues, extending well into issues of the reform of the UN Security Council (UNSC),[63] for instance.

Other commentators see the BRICS as 'having both a practical as well as ideational role in reforming the global financial system, and in the norm-setting processes within world politics.'[64] The practical role derives from the original intention behind the coming together of the BRIC countries – to discuss global economic issues stemming from the global financial crisis of 2008, with significant focus on the reform of international financial institutions to make them more representative of developing countries.[65] This was inspired by the feeling that the financial crisis had been partly motivated by the IMF growth model and also by the fact that over two-fifths of the world's population resides in the BRICS countries and the immense contribution the group has made to the global economy since the crisis. With the above in mind, it only made more sense to the BRICS to be an integral part of the global rule-setting processes.[66] The ideational role is tied to the idea of BRICS countries being a platform for consultation and co-ordination for global political positions and influencing the exercise of global power.[67]

Despite the opening in global issues, however, BRICS still remains in search of common ground. Two examples stand out in this regard: the UNSC and issues around military intervention and reform of the UNSC; as well as reform of international financial institutions, namely the IMF and the World Bank.

The BRICS summit communiqués have called continually for reform of the UNSC, and the New Delhi Summit Declaration provides as follows:[68]

> *[The BRICS] reaffirm the need for comprehensive reform of the UN, including its Security Council […] and China and Russia reiterate the importance they attach to the status of Brazil, India and South Africa in international affairs and support their aspiration to play a greater role in the UN.*

Despite such declarations, both Russia and China have not explicitly endorsed their support for the aspirations of their fellow BRICS to be permanent members of the UNSC. In the same vein as the other permanent members of the UNSC, China and Russia will not support any initiative that limits their veto power or extends that power to other countries.[69] In the UNSC vote on Libya in 2011, the BRICS membership, with the exception of South Africa, all abstained from the vote on Resolution 1973 on the no-fly zone. On the

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[63] Russia and China are both permanent members of the UNSC.
[64] Karackattu JT, *BRICS: Opportunities and Challenges*, IDSA (Institute for Defence Studies and Analyses), Issue Brief, http://www.idsa.in/system/files/IB_BRICS.pdf.
[65] *Ibid.*
[66] *Ibid.*
[67] *Ibid.*
[68] BRICS Heads of States, 'Fourth BRICS Summit – Dlehi Declaration', New Delhi, 29 March 2012, http://www.bricsindia.in/delhi-declaration.html.
[69] Patrick S, 'Irresponsible stakeholders. The difficulty of integrating rising powers', *Foreign Affairs*, 89, 6, 2010, pp. 44–53.

issue of Iran and Syria, however, the assumption being that the BRICS learnt from its experience with Libya, the group stood firm on its non-interventionist stance, preferring that the situation be resolved without military intervention by the UN.[70] However, on the resolution in support of the Arab League's plan for the removal of the Syrian president, Bashar al-Assad, India, Brazil and South Africa voted in support of the resolution while Russia and China voted against the resolution.[71]

The leadership race for the IMF and the World Bank proved to be total disasters in terms of BRICS cohesion and agreement on common positions on issues of mutual concern. Despite the BRICS countries having been consistent in their calls for a more democratic IMF and World Bank, the selection of both heads of these institutions was an opportunity lost for the group. Christine Lagarde's candidature for the IMF was allowed to sail through, as the BRICS could not agree on its own candidate and, to make matters worse, China went on to support Lagarde's candidacy. This was in 2011. In 2012, shortly after the BRICS summit in March 2012, the opportunity arose to select the World Bank president. Despite having called for the heads of both the IMF and World Bank to be selected through an 'open and merit based process' in the New Delhi Summit Declaration, Russia went on to support the American candidate and, even when the candidates from developing countries were reduced to one, in the end it was South Africa alone that supported the developing country candidate.[72]

The IMF and World Bank leadership races in particular were ideal opportunities for the BRICS to really assert itself on the global stage and to demonstrate its seriousness about reforming the global governance structures. But when crunch time came, the BRICS was found wanting.

Move towards making the global economic system more robust

It is widely accepted that the BRICS countries have served to prop up the global economy during the global financial and economic crisis. China and Brazil are now among the six-largest economies in the world, with China having overtaken Japan as the second-largest economy and Brazil having overtaken the UK as the sixth-largest economy.[73] Although India and Russia are just outside of the world's top 10-largest economies, the projections are that they will graduate into the top 10 quite soon.[74] With their strong rebound from the global

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70 Chellaney B, *The BRICS Grouping: A Brick by Brick Development*, Al-Jazeera Centre for Studies, 8 April 2012, http://studies.aljazeera.net/ResourceGallery/media/Documents/2012/4/8/2012481358119217 34The%20BRICS%20Grouping.pdf.

71 Beri R, 'BRICS: In Search of Unity' Institute for Defence Studies and Analyses, IDSA, 3 April 2012, http://idsa.in/idsacomments/BRICSInSearchofUnity_rberi_030412.

72 Emerson M, 'Do the BRICS make a bloc?', CEPS (Centre for European Policy Studies) Commentary. Brussels; CEPS, 2012.

73 Naidoo S, 'SA presence "drags down BRICS"', *The Mail and Guardian*, 23–29 March, 2012.

74 *Ibid.*

economic crisis, the BRICS countries have been a significant part of the global recovery process, particularly as they served as the global centres of demand.

From their very first meeting in 2008 on the sidelines of the G-20 summit, the BRICS has focused on how to understand the crisis and to work together with the G-20 towards the reform of international financial institutions, in both regulatory and governance aspects.[75] The BRICS can claim participation in some of the key G-20 achievements to date with regard to the global economy. These include the $1.1 trillion global recovery plan and the increase in IMF resources. Another achievement was the agreement to shift 5% of the IMF quota share from overrepresented countries to underrepresented countries, and to increase the voting power of developing countries in the World Bank by 3%. China and Brazil also launched domestic stimulus plans to help spur the global economy. The BRICS countries have also argued for the replacement of the US dollar as a reserve currency with one based on Special Drawing Rights (SDR) and accompanied by a change in the SDR's basket of currencies, which currently consists of the euro, the Japanese yen, the UK's sterling and the US dollar.[76] The BRICS would like to see a situation in which the valuation process for the SDR includes its own currencies and the SDR turned into a super-sovereign reserve currency that can be converted into any currency the borrower desires.[77]

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75 Haibin N, *op. cit*.
76 *Ibid*.; Karackattu JT, *op. cit*.
77 Karackattu JT, *ibid*.

INSTITUTIONALISATION OF THE BRICS AND SCOPE FOR EXPANSION

One of the criticisms levelled against the BRICS is the lack of an institutional basis, at least beyond the summit meetings. The biggest argument for institutionalisation of the group would be the facilitation of closer co-operation and co-ordination of positions on various international issues. This is especially because the BRICS countries are not a natural fit and may need this institutionalisation more than the developed country groupings. As the BRICS becomes more grounded, the question arises as to what kind of institutionalisation the group needs to make it more effective and to give it more content.

The format of such institutionalisation is decided firstly by the definition of BRICS, and the objectives against which the group can be judged. At the moment there is no agreement as to what, precisely, BRICS is about. The nature of the institutionalisation will also determine, to a certain extent, the identity of BRICS. It must be noted, however, that institutionalisation in this context does not refer to the creation of a rigid and formal set-up with legal obligations attached for the member countries, but rather the idea of creating a structured system of engagement that establishes a base for the group.

In a sense, this kind of institutionalisation is already taking shape within the BRICS and the question now is more about improving the systems. The summit is already established and the leaders meet every year. What is still evolving is the parallel track engagements, which need to be examined for necessity and efficacy. The last BRICS summit in New Delhi saw the following pre-summit events take place:[78]

1. *BRICS National Statistical Authorities' Meeting, 6–8 February 2012, New Delhi*
   BRICS National Statistical Authorities bring out BRICS Statistical Publication. The first publication was released during the 2nd Summit in Brasilia in April 2010. A revised edition of the publication was released at the 3rd Summit in Sanya (after South Africa joined BRICS). An updated edition of the Joint Statistical Publication was also released at the Delhi BRICS Summit.
2. *Technical Experts' Meeting of BRICS Development Banks, 15–17 February 2012, Kumarakoram, Kerala*
   This cooperation was strengthened following the signing of Master Multilateral Agreement among BRICS Development Banks at the Sanya Summit in April 2011. The EXIM Bank of India convened a meeting of technical experts on this issue to work out the strengthening mechanism.
3. *Economic Research Group, 27 February 2012, New Delhi*

[78] New Delhi BRICS 2012, 'Schedule of pre-summit events', 2012, http://www.bricsindia.in/presummit.html.

This Group, the first initiative of its kind, brought together economic think-tanks from BRICS as well as Editors of business and economic magazines/publications to evolve BRICS thinking on economic linkages and developmental challenges within and outside BRICS. The Meeting was conducted by The National Institute of Public Finance and Policy (NIPFP) and it came up with many useful recommendations for future cooperation.

4. *Fourth BRICS Academic Forum, 5–6 March 2012, New Delhi*
   An MoU has been signed among the designated think-tanks from BRICS countries to formalise this engagement. Observer Research Foundation (ORF) is coordinating India's engagement in this initiative.
5. *Second Meeting of the Contact Group on Economic, Trade and Investment Issues, 6–7 March 2012, New Delhi*
   The second Meeting of the CGETI, represented at the level of Director Generals/Joint Secretaries in the Ministry of Commerce/Trade of the five countries, was held to explore areas of cooperation and prepare the agenda for the Trade Ministers' Meeting.
6. *Meeting of Senior Officials, 19 March 2012, New Delhi*
   The purpose of the meeting was to have a first round of discussions to examine the feasibility of the concept of setting up a new Development Bank.
7. *Trade Ministers' Meeting, 28 March 2012, New Delhi*
   As has been the practice since the Brasilia Summit 2010, the Trade Ministers met just prior to the Summit.
8. *BRICS Business Forum, 28 March 2012, New Delhi*
   FICCI, together with other Chambers like CII and ASSOCHAM within India, and its counterparts in BRICS countries hosted the Forum just prior to the Summit.
9. *Financial Forum of BRICS Development Banks, 28 March 2012, New Delhi*
   This was organized by the EXIM Bank of India just prior to the Summit.

The above list includes meetings of foreign ministers, finance ministers, agriculture ministers, health ministers, and High Representatives on Security, as well as various other sectoral meetings.[79] These track II engagements are particularly important in that they facilitate both a bottom-up and top-down approach to the BRICS engagement. Considering the list though, a few observations come to mind. The Economic Research Group and the Contact Group on Economic, Trade and Investment Issues, for instance, could find better utility in joint meetings. This would be in addition to their individual meetings. The one track is non-governmental and the other governmental; and the two could feed off each other, particularly when it comes to the one providing ideas to government. It is not particularly

[79] *Ibid.*

clear at the moment how these various lines of interaction engage each other, especially as they are interconnected, unless if these meetings pre-suppose efficient intergovernmental systems in every country and, of course, that all governments have strong linkages with non-government actors. It would be unfortunate to have all these lines of engagement be nothing more than talk shops. Also, the current mechanisms are lacking a grassroots civil society dimension. Civil society is well known for its close linkages with the citizenry and they could be indispensable when it comes to the mobilisation of the people in support of the BRICS project. Nevertheless, since these processes are still evolving, there is still hope for this lacuna to be filled.

Another issue that needs to be considered in the institutionalisation of BRICS mechanisms is that of timing. With some of the pre-summit meetings in 2012 being held a day before the actual summit, this begs the question whether these meetings are designed to feed at all into the actual summit meetings themselves; or whether they are simply part of the show with no real significance. It would be more pragmatic to have these meetings held two or three months before the summit, to allow for the findings of these meetings to be incorporated into the summit agenda if necessary.

Other experts have belaboured the point on summit communiqués and meeting declarations.[80] The utility of these documents becomes questionable when commitments are not met. This also brings to the fore the need for these outcome documents, if indeed there is a need to speak as one on certain issues, to be clear and precise and not merely issue declaratory and best-endeavour commitments. Kokotsis recommends target-driven and time-bound deliverables accompanied by appropriate measures and mechanisms for delivery and implementation which are also tied to adequate monitoring systems.[81] Only then will the meeting documents be worth the time and effort put into drafting them. Also, implementation of commitments made is a definite way of cementing the institutionalisation of BRICS.

Of course, a more institutionalised system of engagement within BRICS raises the question of the expansion of the BRICS group, to include other big emerging economies. The group has already expanded from the original four BRIC countries, when South Africa was invited to join in 2011 to create the BRICS. The inclusion of South Africa worked to include the African continent in the group. With South Africa being the biggest economy on the African continent and arguably its most influential international actor, it made sense for it to be a part of BRICS. This inclusion also served to divorce the BRICS from Jim O'Neill and

[80] See 'Section 1: Institutionalising the BRIC engagement', in Unnikrishnan N & S Saran (eds), *op. cit*.

[81] Kokotsis E, 'Advancing accountability in BRICS governance', in Larionova & J Kirton (eds), *op. cit.*

Goldman Sachs; to make it more than just about economic projections and to amplify the developing country voice in global governance and co-operate on common development challenges among the BRICS countries.

There are a few other acronyms of country groupings being floated around at present, all based on economic projections and growth potential. The most common ones are CIVETS, comprising of Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa; and the Next 11 or N-11, which comprises Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam.[82] Of the countries listed, only South Africa has been invited to join the BRICS group, following a massive campaign by the Zuma administration. Indonesia is tagged to be the next BRICS member, should the BRICS consider expanding again. Indonesia is the largest economy in South-East Asia with strong links to both China and India,[83] and the world's fourth most populous nation.[84] Its credentials as a country of the 'South' have long been established since the Bandung conference of the Non-Aligned Movement in 1955 and, like South Africa, Indonesia is a regional anchor in the South-East Asian region.[85] In the broader context, this raises the question of whether the BRICS configuration is still about economic projections, as initially identified by Jim O'Neill. Again, the challenge of the group's identity comes into play. If the BRICS is about economic prowess then its next members should be considered on that basis. However, if a political project, as indeed seems to be its current direction of evolvement, then economic projections should only be a factor if a country possesses political clout on the international stage, as well as other factors that are determined by the BRICS members themselves rather than by financial experts or investment firms.

Caution should be exercised, however, when it comes to the expansion of the BRICS. Current members need to be given time to consolidate as a group and find common positions on issues of international importance. As argued, the group is not a natural fit, which is exactly why it needs more time. Expansion could weaken their present momentum, especially as consensus on key strategic issues has so far been lacking.[86]

The institutionalisation and expansion issue for BRICS also raises issues of the other two groupings involving some, but not all, of the BRICS members, namely RIC (Russia, India and China) and IBSA (India, Brazil and South Africa). RIC brings together Asian big powers, while IBSA is more about South–South solidarity and concerned with advancing the developing

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82 Moore E, 'Civets, Brics and the Next 11' *Financial Times,* 8 June 2012, http://www.ft.com/cms/s/0/c14730ae-aff3-11e1-ad0b-00144feabdc0.html#axzz27tFWooyd (restricted access).
83 Panda JP, 'New Delhi BRICS Summit: New prospects, but more challenges?', IDSA, 19 March 2012, http://www.idsa.in/idsacomments/NewDelhiBRICSSummit_jppanda_190312.
84 Klomegah KK, 'Indonesia knocks at BRICS' door', *Inter Press Service News Agency,* 19 April 2012, http://www.ipsnews.net/2012/04/indonesia-knocks-at-brics-door.
85 *Ibid.*
86 *Ibid.*

country agenda.[87] RIC has not been as prominent as IBSA and its engagements have not even reached summit level. The issue has more to do with whether IBSA should be done away with in light of the BRICS formation and both groups' apparent pursuit of the same agenda. BRICS has been a media darling since inception, and has basically pushed IBSA into near oblivion. However, even with the agenda overlap there is still some merit, for now, in keeping IBSA and BRICS separate. With the heterogeneous nature of the BRICS, IBSA presents a group that is united in its philosophies on the current global order, shares the same political dispensations as opposed to China and Russia, the same ambitions with regard to the UNSC and general good relations with each other.[88] Until such a time that BRICS improves and becomes more harmonised, the IBSA group still has value to its existence and should not be written off as yet.

Arguably, the biggest contribution that the BRICS has made to date towards the stabilisation of the global economy was at the recent June 2012 G-20 summit in Los Cabos, Mexico. The BRICS countries each pledged varying amounts towards the IMF firewall fund designed to prevent the contagion of the Eurozone crisis into the global market. China pledged $43 billion, while Brazil, Russia, India each pledged $10 billion. South Africa pledged $2 billion.[89] This was crisis intervention on the part of the BRICS, along with other developing nations that are members of the G-20. This contribution by the BRICS was made in anticipation of an increased say in the IMF and World Bank through the reform of quota shares and voting power in these institutions.[90]

87 Varadarajan S, 'Institutionalising BRIC engagement: An Indian perspective' in Unnikrishnan N & S Saran (eds), *op. cit.*
88 Stuenkel O, 'Keep BRICS and IBSA Separate', *The Diplomat*, 13 August 2012, http://thediplomat.com/the-editor/2012/08/13/keep-the-brics-and-ibsa-seperate.
89 *Fin24*, 'Brics agree to boost IMF war chest', 19 June 2012, http://www.fin24.com/Economy/Brics-agree-to-boost-IMF-war-chest-20120619.
90 *Ibid.*

WILL BRICS EMERGE AS A GUIDING FORCE IN THE 21ST CENTURY?

Given the divergences among the BRICS, it is highly unlikely that they will be able to create a power bloc that is formidable enough to be a guiding force in the 21st century. What the BRICS can hope for is significant influence that will grow as the group itself institutionalises trust and consolidates. To be a guiding force there is a need for the convergence of ideas on global governance. There is indeed a tendency to focus on the negative aspects of the BRICS but, as issues currently stand, the countries have different ideological approaches to how a new approach to global governance should be crafted. There seems to be broad consensus on the need for an alternative world order without proper articulation of what that order should be. Lukyanov posits the situation as follows:[91]

> China prefers infiltrating into the status quo in order to quietly transform it later. India is busy addressing specific problems with specific Western countries – the US, Germany, and France. Brazil is using the situation to strengthen its positions in the Western hemisphere. South Africa is away on the periphery. And Russia, as usual, is trying on all hats at once, seeking to be everywhere and with everyone.

Although this might be a generalisation, it does strike close to home when it comes to the differences among the countries. This is not to mention the security concerns between China and India, and China and Russia, for instance. There are differences within the group on values, economics, political structures and geopolitical interests and at the moment the group is probably incapable of playing a leading geopolitical role in the world.[92] Nevertheless, the political reality of the BRICS, and the strength of that political reality, when its members choose to rally together, should be acknowledged.

Doha Round

There is a sustained effort by the BRICS countries to maintain a united position when it comes to the Doha Round generally. This is with respect to their commitment to the successful conclusion of the Doha Round, bearing in mind of course the developing country concerns; their support for multilateralism and the rules-based WTO system; the fight against protectionism in the WTO; as well as the policy space that is available to developing countries. These and other pronouncements on the WTO can be found in the summit declarations, such as the Sanya Declaration, the New Delhi Declaration and the BRICS Trade Ministers' Declarations.

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91 Lukyatov F, *Global Governance: Challenges of an Unpredictable Era*, http://www.kas.de/upload/dokumente/2011/10/G20_E-Book/chapter_11.pdf.

92 Dresen FJ, *BRICS: Shaping the new Global Architecture*, Report on a Woodrow Wilson Centre Conference on 'BRICS: Shaping the New Global Architecture', 28 June 2011, Kennan Institute, http://www.wilsoncenter.org/publication/brics-shaping-the-new-global-architecture.

The BRICS have also quite successfully blocked any negotiations that they find to be adverse to their interests,[93] such as plurilaterals, which they criticised in the New Delhi Summit Declaration as going against the fundamental principles of transparency, inclusiveness and multilateralism.

The BRICS have had relative success in the WTO, with India, Brazil and South Africa demonstrating their ability to unite, through the agriculture G20 coalition, on a common agenda enough to turn the negotiations.[94] Draper contends that effort should now be directed at bringing Russia and China into the fold so the BRICS can provide developing country leadership in the WTO.[95]

With the upcoming leadership race in the WTO, it is also essential, particularly given the indictments flowing from the failure of the BRICS to field candidates or support common candidates for the IMF and World Bank positions, that the BRICS countries get together and decide on a common BRICS candidate. Failure to do this will consolidate the perception of a lack of solidarity and weaken the BRICS position in global affairs. Such a move would also speak to the stated desire of the BRICS to see a reform of global economic governance to give them a greater voice and increased representation.

Climate change

Climate change has emerged as one of the priority issues of the 21st century and has been highlighted as a human crisis. For the BRICS countries, climate change is also a development challenge and a key governance issue, especially given its social and economic impacts.[96] The BRICS New Delhi Summit Declaration states that:[97]

> *[The] UN Conference on Sustainable Development (Rio +20) is a unique opportunity for the international community to renew its high level political commitment to supporting the overarching sustainable development framework encompassing inclusive economic growth and development, social progress and environment protection in accordance with the principles and provisions of the Rio declaration on Environment and development, including the principle of common but differentiated responsibilities, Agenda 21 and the Johannesburg Plan of Implementation.*

Climate change is related closely to industrialisation and urbanisation. Adaptation and mitigation efforts at domestic country level include factors such as financing, technology

93 Karackattu JT, *op. cit.*
94 Draper P, *op. cit.*
95 *Ibid.*
96 Upadhyay DK, 'Development Issues on the BRICS Agenda: Perspectives from the Delhi Summit'.
97 BRICS Heads of States, 'Fourth BRICS Summit – Dlehi Declaration' New Delhi, 29 March 2012, http://www.bricsindia.in/delhi-declaration.html.

transfer, promoting clean development mechanisms, R&D, and the sharing of knowledge. All of these require greater international co-operation.[98]

The BRICS countries have already shown leadership in the climate change sphere through the commitments they made at Copenhagen, even in the absence of a legally binding agreement. Brazil committed itself to reducing its carbon emissions by 39% by 2020; Russia committed itself to reducing its emissions by between 15% and 25% from 1990 levels; India pledged to reduce its emissions by up to 25% below 2005 levels per unit of GDP; China committed itself to a reduction by 45% per unit of GDP, also from 2005 levels; while South Africa committed itself to cutting its emissions growth by 34%.[99] Considering that currently the BRICS countries are among the leading greenhouse gas emitters, and also considering their development challenges, their commitment shows leadership and a sense of international responsibility. However, the BRICS countries still expect the principle of common but differentiated responsibility to apply.

South Africa hosted COP 17 in 2011 and, while no legal agreement could be reached, just as in Copenhagen, the BRICS member played an important role in the achievement of the four key decisions reached during the conference:

- agreeing to begin the second commitment period of the Kyoto Protocol in 2013, although not in a legally binding form, as commitments had not yet been written or ratified but the specifics of the commitments were due to be discussed in 2012;
- launching the Durban Platform to ensure the establishment of a legal agreement by 2020;
- adopting guidelines for reporting implementation progress; and
- approving the governing instruments for the Green Climate Fund.[100]

The Durban Conference made progress on Copenhagen, and the Durban Platform, a roadmap to be completed by 2015, was a particular breakthrough, championed by South Africa as a BRICS country.

On a different platform, four BRICS members have championed the emerging economy interests in climate change negotiations since the Copenhagen conference. These are Brazil, South Africa, India and China, better known as the BASIC countries. This group also encompasses the major emitters in the Group of 77 (G-77) developing countries and hence their interests in the climate change negotiations would arguably be different from those of

98 *Ibid.*
99 Bedritsky A, 'Climate change – From Cancun to Durban and beyond', in Larionova & J Kirton (eds), *op. cit.*
100 *Ibid.*

the other developing countries, although the BASIC group still emphasises G-77 solidarity.[101] The political strength of the BASIC countries, also a reflection of evolving power dynamics in the global economy, was manifested through the Copenhagen Accord, a collaborative effort between the US and the BASIC countries.[102] Although not adopted and only formally 'noted', the above-mentioned emission reduction targets by the BRICS countries are as a result of the Copenhagen Accord. The Copenhagen Accord can be lauded for being the only agreement that has resulted in developing countries also making commitments to emissions reduction targets, despite the lack of legally binding agreements, and even if conditional on developed countries living up to their commitments to assist developing countries in their implementation commitments.[103]

BRICS and the G-20

Beyond the BRICS Summit Declaration on agenda items that also feature on the G-20 agenda, there has not been a discernible effort to create a BRICS power bloc within the G-20 to champion issues of common interest to BRICS countries. Indeed, BRICS countries are not always in agreement on positions in the G-20, and only converge in broad terms despite the many agenda items in which they should ideally have an interest, including the development agenda and reform of international institutions. In June 2012 the BRICS leaders met on the sidelines of the G-20 summit, which could hopefully be a first step towards institutionalising the BRICS power bloc within the G-20. Besides those occasions in which a member country is hosting a G-20 summit, a lack of cohesive identity within the G-20 prevents the BRICS from actively setting the agenda. This defeats the agenda on the reform of global governance. Although the G-20 has established itself firmly as the primary institution for discussing global economic affairs, the BRICS lethargy still enables the G-7 to set the agenda. Bradlow postulates:[104]

> *While these countries (the G7), accepted the G20's pre-eminence in economic matters, they have not surrendered their control over the global economic agenda, which is dominated by the regulatory and governance issues of most interest to them. The shifting balance of power merely means that the rising powers in the G20 can participate in the discussions on these agenda items and can influence their prioritization.*

The lack of an effective BRICS or emerging power lobby group within the G-20 makes the position of the G-7 more entrenched. There exists a loose consultation mechanism among

101 Barzun J, ' Together Alone. BASIC Countries and the Climate Change Conundrum'. Copenhagen: Nordic Council of Ministers, 2011.
102 Poyry Management Consulting, 'BRIC, BASIC and Climate Change Politics: Status, Dynamics, and Scenarios for 2025', Commissioned by the Norwegian Ministry of the Environment, 2010, http://www.econ.no/stream_file.asp?iEntityId=4771.
103 *Ibid.*
104 Bradlow D, *Reforming Global Economic Governance: A Strategy for Middle Powers in the G20*, A Paper Prepared for the Workshop on 'Going Global: Australia, Brazil, Indonesia, Korea and South Africa in International Affairs', Jakarta, Indonesia, 25–26 May 2010.

the developing countries as a whole, including non-BRICS countries, in which countries meet not to consolidate positions but rather to share ideas and consult on issues.

In short, the BRICS has had a few wins in the G-20, but this has been together with other emerging economies, and there is no exclusivity to their achievements.

CONCLUSION

The BRICS appears to be on its way to realising the predictions made in 2001, with the emerging dynamics over the last decade further establishing these predictions. Starting with a share of a little over 10% in world GDP, and less than 4% in world trade in 1990, BRICS now constitutes about 25% of the world GDP and 15% of world trade. The increase in GDP implies that the economic size of BRICS in terms of its share in world GDP has expanded by 150% in the two decade periods. In addition, all the BRICS countries have now become active members of major international and multilateral institutions, such as the WTO, the UN, the G-20 and the UNFCCC. Their importance in global economic and political affairs is also reflected by various other indicators, such as trends in FDI inflows and outflows, trade openness, current account balance, forex reserves and economically active labour force, which could make BRICS a formidable force to reckon with in the future.

Despite positive developments on various fronts, however, several issues remain to be addressed at both individual and the group level. One such issue is the relatively low ranking of the BRICS countries – with the exception of South Africa – in the World Bank's annual report, *Doing Business 2012*. Other issues that pose obstacles for the BRICS countries include inadequate infrastructure; a lack of institutionalisation; the heterogeneous nature of the group and lack of cohesive identity; the fragile nature of trade and investment linkages among the BRICS countries; and differences within the group on values, economics, political structures and geopolitical interests. Based on current experience, one can argue that it is highly unlikely that BRICS countries will be able to create a power bloc capable of becoming a political and economic guiding force in the coming years. However, the group can definitely expect to increase its influence significantly as the members institutionalise trust and consolidate the BRICS grouping. It needs to be made clear that if not addressed urgently, the issues indicated above could pose serious challenges to the group's realisation of what was predicted by Goldman Sachs.

The opportunities ahead and the challenges faced by these countries call for changing how individual member countries view BRICS as a group. A more co-operative and collaborative approach on issues of common and global interests is required, which can perhaps help in actualising the co-operation. Some of these are delineated below.

- There is a need to facilitate closer co-operation and co-ordination of positions on various international issues, keeping broader interests in mind. BRICS needs to consolidate as a group and to find common positions on issues of international importance.

- The current institutionalisation mechanisms are lacking a grassroots civil society dimension. Civil society is well known for its close linkages with the citizenry, and could be indispensable when it comes to the mobilisation of the people in support of the BRICS project. One can expect that since these processes are still evolving, this vacuum will be filled.
- There is a need for target-driven and time-bound deliverables accompanied by appropriate measures and mechanisms for delivery and implementation that are tied to adequate monitoring systems. The implementation of commitments made is a definite way of cementing the institutionalisation of BRICS.
- For BRICS to gain formidable ground in its role in international affairs, such as leadership of the WTO, IMF and the World Bank, there is a need to decide on common candidates and to field or support common candidates for such positions. A failure to do so will consolidate the perception of a lack of solidarity and weaken the BRICS position in global affairs. There is also a need to take a common stand in the G-20. Such a move would speak to the stated desire of the BRICS to see a reform of global economic governance to give them a greater voice and increased representation.
- To address issues such as food security, there is a need to promote peer learning and to exchange best practices in the BRICS countries.
- To successfully face challenges at the domestic front and at the group level, there is a need to increase expenditure on R&D, especially in the areas of sustainable development, including food security. One way of actualising this co-operation in R&D would be by taking advantage of the existing co-operation among think tanks in the BRICS. Different institutes that specialise in different research areas could come together and share knowledge in the promotion of R&D.

If they can succeed in overcoming some of their differences, there is plenty of scope for the BRICS countries to organise themselves into a formidable power bloc.

ANNEX 1: BRIC(S) EVOLUTION AND JOURNEY

1989 Brazil emerges from military rule and puts in place a drastic economic stabilisation plan to reverse hyperinflation and boost privatisation;

1991 India introduces sweeping economic reforms, ending the licence raj and setting conditions for sustained economic reforms in the following periods;

1998 China emerges from the Asian crisis unscathed;

1999 (December): After the Russian economy meltdown in 1998, Russia puts in place a strategy to rebuild and regain its lost economic status;

2001 Goldman Sachs predicts the rapid rise of Brazil, Russia, India and China (BRIC) in the next 50 years;

2001 (December): China joins the WTO, and opens up the process of modernisation of its industries and services;

2003 (January): Brazil kicks off a period of unprecedented economic prosperity;

2006 (June): The Dow Jones introduces the BRIC 50 Index, a basket of the 50-biggest companies listed on the stock exchanges of Brazil, Russia, India and China;

2006 (September): The BRIC foreign ministers hold an informal meeting in New York as a sideline to the UN 61st General Assembly. They meet again in 2007 to bolster and deepen relationships;

2007 (December): China overtakes Germany as the world's third-largest economy;

2008 (January): Brazil joins China and the Persian Gulf states and becomes a creditor for the first time, and introduces a sovereign wealth fund to invest excess capital;

2009 BRIC continues to maintain its economic growth even during the global financial crisis; India achieves a growth of over 9%;

2009 (June): BRIC leaders hold their first summit in Russia, calling for a more democratic and multipolar world based on the rule of international law, equality, mutual respect, co-operation, co-ordinated action, and collective decision making of all states;

2009 (September): BRIC achieves a major milestone when developed countries agree to redistribute quota and vote shares at the IMF and the World Bank; the G-20 (which has members from BRIC) becomes a premier economic forum, replacing the G-8;

2009 (December): Co-operation among the BRIC members is further enhanced during the UNCCC at Copenhagen, when the group objects to stringent carbon emissions pushed by developed countries, especially the EU;

2010 (April): At the second summit, BRIC calls for UN reforms;

2010 (July): China overtakes Japan as the second-largest economy. Nine years after the Goldman Sachs prediction, BRIC constitutes about one-quarter of global economic activities and one-third of GDP growth;

2010 (December): BRIC invites South Africa to join the group; BRIC becomes BRICS.

Projection

2018 BRICS economies overtake the US economy, as predicted by Goldman Sachs.

Source: Foreign Policy, March/April 2011,
http://www.foreignpolicy.com/articles/2011/02/22/brics_a_short_history?page=0,0.