Building BRICS: thinking beyond national interest

The tense dispute between India and China at Doklam on their tri-border with Bhutan, which began in mid-June, was ultimately resolved last week in late August. This thaw in the Himalayas was partly attributable to mature diplomacy in conflict resolution. But its timing, if not more, was partly attributable to an impending event, as it was followed by the announcement that Prime Minister Narendra Modi would participate in the BRICS summit at Xiamen, China, held earlier this week. His absence at the summit would have been embarrassing for Chinese President Xi Jinping as the host. It would also have highlighted the deeper tensions between the two Asian giants as a fault line in the supposed political solidarity among BRICS nations.

The acronym BRICS refers to a group of countries—Brazil, Russia, India, China and South Africa—diverse in terms of economics and geography. This is a formation in its early childhood, just nine years old, which has moved centre-stage in the contemporary world in a rather short span of time. Its economic significance is obviously attributable to size in terms of population and income. In 2016, taken together, these five countries accounted for 42% of world population and 22% of world GDP (gross domestic product) in current prices at market exchange rates. A quarter century earlier, in 1992, they accounted for 43% of world population but only 7% of world income. However, their political significance stems not only from economic rise and geographical size, but also from collective voice in a world where the balance of power is changing. In this context, it is important to understand the factors underlying the evolution of BRICS as an economic and political formation.

The formation began life on modest stepping stones that turned out to be building blocks. In 2003, India, Brazil and South Africa constituted Ibsa to develop a strategic alliance that would foster partnership among them, promote cooperation with developing countries and articulate a collective voice in international politics. In 2005, Brazil, India, China and South Africa, together with Mexico, formed the Outreach-5, who were invited to the G-8 summit even before the global economic crisis. There was a hint of discontent about their status as observers, peripheral to deliberations and decisions, so that the Outreach-5 were always seeking a seat at the high table with the G-8. In 2009, Brazil, India, China and South Africa came together as BASIC at the summit on climate change in Copenhagen, which was an ad hoc coalition shaped by the event. Soon after, it evolved into a reality with the first annual BRICS Summit in 2009. South Africa was invited as a late entrant in 2011.

The era of change in the world economy started around 1990 and gathered momentum after the turn of the century. The share of developing countries—Africa, Asia excluding Japan, and Latin America, including the Caribbean—in world GDP in current prices at market exchange rates increased from 17.5% in 1990 and 21.6% in 2000 to 39.6% in 2016. Of this, Brazil, India, China and South Africa taken together accounted for 5.5%, 7.4% and 18.9% in those years. The share of China alone was 1.8%, 3.6% and 13%, respectively. China was the most important part of the BRICS story. But there was more to BRICS than China. BRICS were the most important part of the catch-up by the developing world. Yet, developing countries were about far more than BRICS. Even if the focus is often on BRICS because of the perceived rise of China and India, the emergence of BRICS must also be situated in this wider context.

The composition of BRICS in terms of countries was shaped by size and geography. Their economic size (potential if not actual income, together with population) and their physical size (in terms of geographical space) explains the inclusion of Brazil, China and India. But geography and location made a difference. This is the reason why it was South Africa, in Africa, rather than Indonesia, in Asia, that was included. The same consideration, reinforced by geopolitics, meant that it was Russia, a former superpower and a high-income country in Europe, that became a constituent of BRICS rather than Mexico, which was in the Outreach-5 and could also have been a plausible choice.

The catch-up by developing countries in terms of their share in world income reached a critical threshold circa 2000. It gathered pace thereafter, particularly among BRICS, mostly because of China but, to some extent, on account of India and Brazil. This was necessary but not quite sufficient. It was the conjuncture that made an enormous difference. The financial crisis that surfaced in the US in late 2008, and the Great Recession that followed in its aftermath was the deepest crisis in capitalism since the Great Depression eight decades ago. This eroded the triumph of capitalism that followed the collapse of Communism in 1991 and reinforced the shift in the balance of power somewhat more towards the developing world. The G-8 gave way to the G-20. The birth of BRICS in 2009 is no coincidence.

The BRICS nations, working together, can exercise a significant influence in shaping a new multipolar world. The UN, the World Bank and the International Monetary Fund (IMF) are among the most important multilateral institutions. The structure of these institutions created around 1945, characterized by democratic deficits, can now be challenged.

In the UN, Russia and China are permanent members of the Security Council with a right to veto. India, Brazil and South Africa are engaged in knocking at the door, seeking permanent membership of the Security Council. There can be little doubt that if and when there is an increase in the number of permanent members of the Security Council of the UN, these three countries would have the strongest claim to permanent membership, on a par with Germany and Japan. Russia has consistently supported India's claim. But China has never supported an increase in the number of permanent members, in effect resisting the claims of India, Brazil and Japan.

In the World Bank and the IMF, Brazil, Russia, India, China and South Africa are permanent members of the executive boards. Given the democratic deficit in these institutions, embedded in unequal voting rights, BRICS working together could influence decisions or even reshape rules. So far, however, they have neither articulated a collective voice nor exercised collective influence. There are two obvious examples. They failed to act in cohesion when the president of the World Bank was appointed in 2012 although there were two strong candidates from the developing world. Soon thereafter, each of them infused large doses of capital into the IMF, but they simply did not negotiate any changes in its rules that reduced policy space for borrowing developing countries let alone attempt to reduce the democratic deficit.

Problems arising from a conflict of interest among BRICS nations do loom large. For example, there are concerns about China in Brazil, India, and South Africa, all of whom run massive trade deficits with China. These concerns are accentuated by a pattern of trade in which they export primary commodities to, and import manufactured goods from China. Such trade patterns, almost colonial, simply cannot be conducive to their industrialization.

Even so, there are some promising steps in the right direction. The 2014 BRICS summit in Brazil announced two important decisions. The first was the creation of a New Development Bank with a subscribed capital of $50 billion made up of $10 billion each from the five countries. The second was the creation of a Contingency Reserve Arrangement of $100 billion with contributions of $41 billion from China, $18 billion each from Brazil, India, and Russia, and $5 billion from South Africa. These are tangible acts of real cooperation and collective action on the part of BRICS despite some potential conflicts and genuine concerns. The former will be an alternative source of development finance competing with the World Bank, while the latter will be an alternative source of emergency financing competing with the IMF. The formative years will be critical. There is a real danger that these might evolve in much the same way as the World Bank and the IMF with a democratic deficit and as a window of financial assistance based on patronage and conditions.

Hence, it is essential for BRICS to preserve equality among the founding countries, the lenders, and nurture partnership with the countries to whom it provides resources, the borrowers, so that structures of governance remain democratic.

The potential for coordination and cooperation among BRICS has not materialized yet, because their relationship with each other is characterized more by rivalry—economic or political—and less by unity. And if these five countries aspire to join the premier league once they become major players, they might just abandon the spirit of solidarity and the logic of collective action in the pursuit of national interests.

The BRICS summits are essentially turning into ritual diplomacy. The real action is in the series of bilateral meetings between their leaders. There is a parallel business forum. These are interspersed with dialogues searching for mutual cooperation in education, research, energy, women, culture and so on. It is a process of learning about each other instead of learning from each other. The outcome is a negotiated declaration, often more about words than substance. The summit in Xiamen, China, earlier this week only confirms this trend.

It would seem that the BRICS nations, as a formation, are forgetting their raison d'etre. The essential objective was to influence, if not shape, the institutional architecture of an emerging multipolar world which reflected its changing balance of economic and political power. The time has come to think big, beyond national interests, and think long about the next decade rather than the next summit. If this does not happen, BRICS will become yet another ritual meeting space, no different from other such country-groupings in the past that fade away slowly.

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