With the successful holding of the fifth summit of Brazil, Russia, India, China and South Africa (BRICS) in Durban during March 26–27, 2013, this influential group of emerging economies completed its first important phase of genesis and evolution. The idea was floated in 2001 as an ‘acronym’ created by an investment banker of Goldman Sachs, Jim O’Neill who believed that the fast-growing economies of Brazil, Russia, China and India would be the single greatest game changers in coming times. The resultant informal group began holding annual summits in Yakteranberg in 2009 and its pace of progress has since surprised many—including its own creator Jim O’Neil, who does not hide his disappointment at what has come about of his original vision.

BRICS has since ventured into politico-security issues and drifted way from Jim O’Neil’s vision of restricting itself to economic matters. At the third Sanya summit in China in 2011, BRIC included South Africa; much over other possible ‘S’ aspirant countries like South Korea or Singapore. Egypt and Indonesia are increasingly seen as new contenders floating E-BRICS and BRIICS formulations and Goldman Sachs have since identified other countries—like Indonesia, Vietnam, and the Philippines—as possible successors of the BRICS. Especially in face of the continued global economic slowdown that has not yet impacted BRICS growth trajectories, the flourish of this group has come to be a matter of concern among major powers. As a result big powers’ multilateral forums like World Bank have already begun to carefully watch, even undermine if not undercut, new BRICS initiatives. However, with all its deviation, BRICS has continuously emerged as a force to reckon with.

The most important achievement of BRICS so far has been its five contention-free summits in five years, with each year witnessing the launching of new supporting mechanisms, new items on the agenda and newer ideas at the high table. This seems a rare feat for the first five years of any such nascent informal multilateral coalition. But as BRICS leaders begin to shift from high-sounding vision statements to operationalising mechanisms, they have begun to confront contentions and roadblocks, which may become far more visible in coming times. So as they begin unfolding their second phase, and their ‘sherpas’ begin discussing the schedule of their brainstorming sessions towards their next summit in Brazil next year, this seems the perfect time to revisit the last decade in terms of the BRICS journey, and crystal-gaze into its future trajectories and future implications.

Dr. Swaran Singh is Professor of International Studies at Jawaharlal Nehru University, New Delhi.

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Apart from their bilateral and multilateral agreements, the BRICS summit at Durban will be remembered for setting up a $100 billion Contingent Reserve Pool or arrangements for strengthening global financial safety, the BRICS Business Council to create a market-led future economic order and the BRICS Consortium of Think-Tanks to promote new alternative paradigms for global governance. But the most anxiously awaited announcement was the launching of the BRICS Development Bank. In this, and in spite of several loose ends still to be tied in subsequent ‘formal negotiations’, the five leaders agreed, in principle, to create a development bank to provide initial funding for infrastructure projects estimated to be worth $4.5 trillion over the next 10 years. In the financial world of the International Bank for Reconstruction and Development (IBRD) (hereafter called World Bank) and International Monetary Fund (IMF)—controlled respectively by the United States and Europe—this ‘new paradigm’ of alternative financial governance may be highly symbolic; nonetheless, it can also potentially challenge the centrality of historic Bretton Woods institutions.

This confidence about the potential of BRICS comes from the fact that BRICS economies today account for $4.8 trillion of foreign exchange (FX) reserves, or nearly 40 per cent of the world total official FX holdings. At the same time, it is these emerging and developing economies that reflect today an insatiable demand for investments of massive sums in building roads, rail lines and power plants or water supply and sanitation infrastructure. Infrastructure building is seen by them as a most potent instrument for making any critical dent in their poverty alleviation programmes regarding health, education and hunger. Until now funding for most of these projects was sourced from the IMF and World Bank and their affiliate financial agencies. But, for the year 2012, the annual gross income of World Bank Group (WBG), from its operations, at little over $2.5 billion, stands roughly a-tenth of the net profits earned by JP Morgan Chase and one-twentieth of that of the Industrial and Commercial Bank of China (ICBC). This shifting landscape in the financial world calls for new mechanisms of long-term capital to supplement, if not replace, traditional suppliers. This is the space that BRICS aims to fill, thus creating a niche for itself.

The double standards of Bretton Woods institutions

What also makes space for a BRICS niche role in global financial governance is the exposure of the double standards of the Bretton Woods institutions. Investments by the IMF and World Bank regimes have come loaded with the political agenda of the developed world. Besides this, their interventions have invariably benefited only a few at the expense of many, and created path-dependency models. As BRICS nations emerge as new donors, there has been a realisation as to how economic aid has often been merely a new name for the profit-driven foreign trade of the developed world. Rather than simply rectifying the inequities of the financial system, these institutions have been guided by the political motives of industrialised countries. And now, when the long-term financing needs in developing countries are estimated at about $5 trillion in the coming decade, it is not clear who will step in to inject capital of this order and on what terms. There is already clamour for reforms in these mid-20th century financial structures as also clamour for accommodation of new players.

Memories of the treatment given by the IMF and World Bank to the 1997 East Asian financial crisis become critical whistle blowers when compared to their response to the
the IMF had forced these countries into accepting harsh reforms. The IMF demanded higher interest rates, strong currencies and fiscal tightening while forcing Thailand, Indonesia and South Korea to let their weak banks fail. When Malaysia imposed capital controls, it was demonised. But in the case of a global slowdown hitting industrialised economies, the Euro zone has gotten away with all of those preconditions. This has also been the case with the US, where the treasury department looks the other way as various regulators, bankers and corporate leaders continue to eschew every prescription the IMF has made in the case of Asia, Latin America and Eastern Europe. The top of the heap includes their crony capitalism where top bankers shift into senior roles in the federal government only to rotate back to Wall Street a few years later. The IMF’s soft attitude towards the incurable economies of Greece and Cyprus remains an astonishing example of the hypocrisy of the industrialised world. This explains why BRICS want their own development bank.

**BRICS present versus its potential**

The moot point, however, remains how soon and how far BRICS initiatives can even begin to supplement the existing efforts of traditional structures of global financial governance. In the last two years, as BRICS has begun to evolve new financial institutions, its deliberations have begun confronting with growing complications in their mutual perceptions and failed to develop consensus on location, structure and individual contributions to formally launch their development bank. There has also been reports about rising intra-BRICS concerns about China’s $3.5 trillion foreign exchange reserves that constitute three-fourths of total reserves of BRICS countries. It has also been often suggested that China wishes to move its foreign exchange reserves investments away from low-yielding and risky US treasuries to a new BRICS development bank, to reap higher financial and geopolitical returns. But compared to the Bretton Woods institutions, decision-making in the BRICS development bank is bound to ensure greater equity and justice for other member countries, opening its stocks to other developing countries and open markets as well. Even in the case of China, the bank promises to make enormous Chinese financial resources available for an infrastructure building boom in the developing world.

According to Goldman Sachs projections for 2013, while the global economy will rise by 3.6 per cent, these BRICS economies will expand by 6.9 per cent. This is nearly twice as much as the world average, and suggests that they are pre-ordained to become major players in addressing the global economic slowdown, providing a lead for better growth rates and contributing to the restructuring of global financial governance. In the year 2012, the annual growth rate for BRICS constituted 4 per cent, compared to the 0.7 per cent for the top seven industrialised countries. BRICS constitutes 40 per cent of the world population but only 17 per cent of world trade; so their mutual trade and investments are bound to witness a substantial rise in coming times. By 2030, the gross domestic product of BRICS is expected to take over that of the G7 industrialised countries. This expanded resource becomes far more potent given that BRICS countries already reflect a strong consensus on broad alternative paradigms for global financial governance. Especially in case of China and India—respectively the capital surplus and capital deficit countries—these multilateral initiatives will re-enforce their bilateral complementarities and mitigate their trust deficit problem.
BRI\textsuperscript{C}s are confronting an expectation revolution from amongst the developing countries. BRICS may potentially also become vulnerable to their own ambitious and models. Existing financial institutions have already begun to take notice and respond by describing BRICS as non-serious, which is bound to negatively impact an intra-BRICS consensus. This explains why the BRICS initiative in launching their development bank may come either too slow or worse, fall prey into replicating the beaten path of the old processes of the Bretton Woods institutions. And here, the fact that China stands at about four times (7.8 trillion) compared to that of Russia or India (1.8 trillion), and 20 times to that of South Africa, can encourage dissension and might delay BRICS initiatives further. Staying on course is the most important challenge for the BRICS.

New aspirants and new issues

Another issue that might slow down and derail BRICS initiatives is the expansion of its agenda to include politico-security matters. Currently, for instance, BRICS is being asked to include new members. These aspirants see inclusion into BRICS as a certificate of being a rapidly growing economy, which brings political legitimacy for ruling regimes and greater visibility and influence for state structures. No doubt as to why, therefore, President Morsi of Egypt not only participated in the 5th BRICS summit in Durban as special guest but prefaced it by a three-day visit to India, with the sole agenda of seeking admittance into the group. Admittance would help Egypt enormously in the steering of its ailing economy, and enhance its political stature in the Arab world (which is necessary to deal with the continued internal turmoil). Indonesia likewise has shown impressive growth rates and its middle class is projected to double itself to 140 million by 2020. In view of India’s growth rate slowing down to 5.3 per cent, there have even been reports of the ‘I’ of BRICS being given to Indonesia. The entry of Indonesia however cannot be seen as substitute for India. The Indian economy is seven times larger and is slated to grow faster, at a projected 6.7 per cent for 2013. The fact that their growth is driven mainly by their increasing domestic consumption levels makes India’s population—which is five times that of Indonesia—a critical factor as well. However, BRICS has meanwhile decided not to add any new members and this gives it a breathing space to consolidate rather than expand its operations.

Other concerns remain regarding balancing expansion and the consolidation of BRICS. Increasingly, the world wants to know what this influential group thinks on key issues, and developing countries have shown increasing expectations in BRICS. Syria, for instance, sent envoys to all BRICS countries on the eve of the summit to brief them on the internal situation and seek their intervention in mitigating the continued violence inside Syria. So far BRICS have managed to showcase consensus on these issues. The Durban summit, for instance, showed a preference for dialogue instead of sanctions in cases like Syria and Iran—but these could potentially become triggers for contention and distract, if not derail, BRICS from its niche strengths. And it will only be a matter of time before these expectations move beyond summits—such as the clamour for a BRICS position on the increasing tensions between the US and the Democratic People’s Republic of Korea. BRICS must remain cautious, even steer clear from these sensitive areas of politics and security, and consolidate their core areas as emerging economies.
Conceived as an acronym for the fastest growing four economies in 2001 by an investment banker of Goldman Sachs, Jim O’Neil, the decade-long evolution of BRICS marks their ability to launch an alternate model of a development bank as their unique selling point. But increasingly, their summits have shown a growing awareness of the inherent disjunctions between the ambitions, strengths and limitations of BRICS countries. This sentiment is clear from their leaders continuously calling for great cooperation underlining the context of continued global slowdown and infinite potential of BRICS. So while the physical chemistry and consensus among BRICS leaders has provided it great visibility it has also generated an expectation revolution among developing countries that need to be fulfilled. Their likely gradual drift into topical political and security issues remains their greatest threat, diluting and diverting the power and influence of their vision and initiatives.

Over the years, BRICS has presented launching a development bank as their flagship initiative, which has created deep systemic reverberations across global financial regimes. But since the New Delhi summit of March 2012, when it was expected to be launched, and a second time in Durban last month, leaders have only managed to say that BRICS would enter ‘formal negotiations’ to establish the bank. Meanwhile, they have launched other auxiliary mechanisms such as the Business Council, the Think-Tanks Consortium and the Contingent Reserve Pool arrangement, which would all assist a BRICS development bank in its policies and practices. The slow pace of decision-making seems sufficient enough at this stage to avoid ridicule from Western financial institutions that are closely watching BRICS deliberations—yet it is not sufficient enough to overlook the deceleration in BRICS turning words into deeds. Issues like Egypt’s membership, the nuclear programme of Iran or the internal situation in Syria run the danger of pushing BRICS into both internal dissensions and also into taking sides (in the potentially dangerous global divide on these issues).

Finally, the Durban summit, held in Africa, should have resulted in some serious initiatives in the agriculture sector. Last year BRICS initiated dialogues amongst their national security advisors and agriculture ministers, demonstrating their desire to give equal priority to both categories. Their agriculture sectors especially needs greater attention and BRICS plans to create mechanisms like an agriculture information grid for reducing the negative impact of climate change, ensure easy transfer of technologies and innovation, promoting agriculture trade and investments and striking a balance between the needs of bio-energy and food security, and so on. BRICS could also learn from and coordinate their national experiments like National Food Security Mission (NFSM) in India, Zero Hunger Campaign in Brazil or Promoting Markets to Stimulate Productivity in China. BRICS can also expand their multilateral framework to incorporate their bilateral assistance to various developing countries that has already been carried out by them so far on a one-to-one basis.