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Krugman Says BRIC Really BIC

By The Moscow Times

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Russia's reliance on oil and natural gas means that it does not belong among the so-called BRIC nations, Nobel economics laureate Paul Krugman said.

"Russia really doesn't belong in the group. It's a petro-economy in terms of world trade," Krugman said late last week in Yaroslavl. "There are a lot of people and a lot of technical skills and at least potentially Russia could be a part, but its role in the world right now is not at all similar to China."

Oil and gas account for 17 percent of Russia's gross domestic product — versus less than 10 percent of Brazil's — and contribute about 40 percent to state revenue. Russia's sovereign credit rating was last raised by Moody's Investors Service in 2008 to the third-lowest investment grade.

Goldman Sachs economist Jim O'Neill coined the BRIC term in 2001 to describe the fast-growing economies of Brazil, Russia, India and China, which he said would collectively match the size of the U.S. by 2020.

South Africa was invited in December to join the group, which held its first summit in 2009 in Russia, followed a year later by a meeting in Brazil.

"There's China and India, which in important ways belong together — labor-abundant rapid-growth economies," said Krugman, who was invited to give a speech at the Global Policy Forum.

"Brazil is a middle-income, not lower-income country, and still more than half of its exports are raw-material oriented. But it does have a strong manufacturing sector," he said. "Russia doesn't fit at all."

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