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Russia Is One BRIC Ahead of the Rest

By Ian Ivory

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It is difficult to pick up a newspaper without reading about the BRICS countries, their importance to the global economic recovery or the impact on the rest of the world.

The increasing influence of Brazil, Russia, India, China and South Africa is a hot topic. Sometimes the discussion focuses on their economic growth that far outpaces U.S. growth. Sometimes the focus is on the contrary: what might happen to the global economy if they, too, get caught up in the slowdown.

But does unqualified inclusion in the BRICS club automatically help Russia, or is BRICS status actually a double-edged sword?

When Goldman Sachs economist Jim O'Neill popularized the BRIC group in 2001, the selection criteria appeared to be their fast-growing economies, social development, education and consumption. At the time, it was a real feather in their caps to be singled out as a member of this super-club of emerging 21st-century powers.

But after working in Russia for several years I find myself wondering whether this description and criteria really is accurate for Russia.

Certainly, there is a well-established middle class with above-average incomes in Moscow, St. Petersburg and the 10 other cities with populations larger than 1 million. For this reason, World Bank places Russia in the "Upper Middle" income bracket.

There is also a high quality of education and powerful aspirations for the future. But these are not really new phenomena in Russia. The country has a long and proud history of social development and education going back to the 19th century. It is not a recent development, as is the majority case in the other members of the BRICS club.

In terms of its industrial base, Russia does not fit the BRICS mold. It enjoyed its vast industrialization alongside other "first-wave" economies such as the United States, Britain and Germany in the late 19th and 20th century. Colleagues in the BRICS club are very much in the throes of rapid industrial and technological development now, some 150 years later.

In turn, this has led to a higher standard of living than other world super powers that experienced this later on. For example, Chinese per capita gross domestic product is only $4,428, compared to $10,440 in Russia.

In 2005, four years after the BRICS emergence, Mexico and South Korea were deemed too well-developed to be invited into the BRICS organization. Meanwhile, statistics from the World Bank show that Russia is not only economically out-competing South Africa, a fellow member of BRICS, but also Mexico and South Korea by about $500 billion in GDP. In 2010, Russia saw foreign direct investment of $43 billion. This is far higher than that of India ($24 billion), Mexico ($19 billion) and South Africa ($1 billion).

Russia is a key member of BRICS but should not be regarded solely through this lens. We should not forget that Russia has its own unique history of development. Since Russia had its own industrial revolutions in the late 19th century, albeit smaller than in the West, and throughout most of the 20th century, this put the country one step ahead of other BRICS in terms of industrial development.

Is it time for the global economic powerhouse of Russia to be freed of the development cloud overshadowing it? Eleven years after Jim O'Neill famously coined the BRIC acronym, I would argue that the time has come to see Russia in a new light.

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