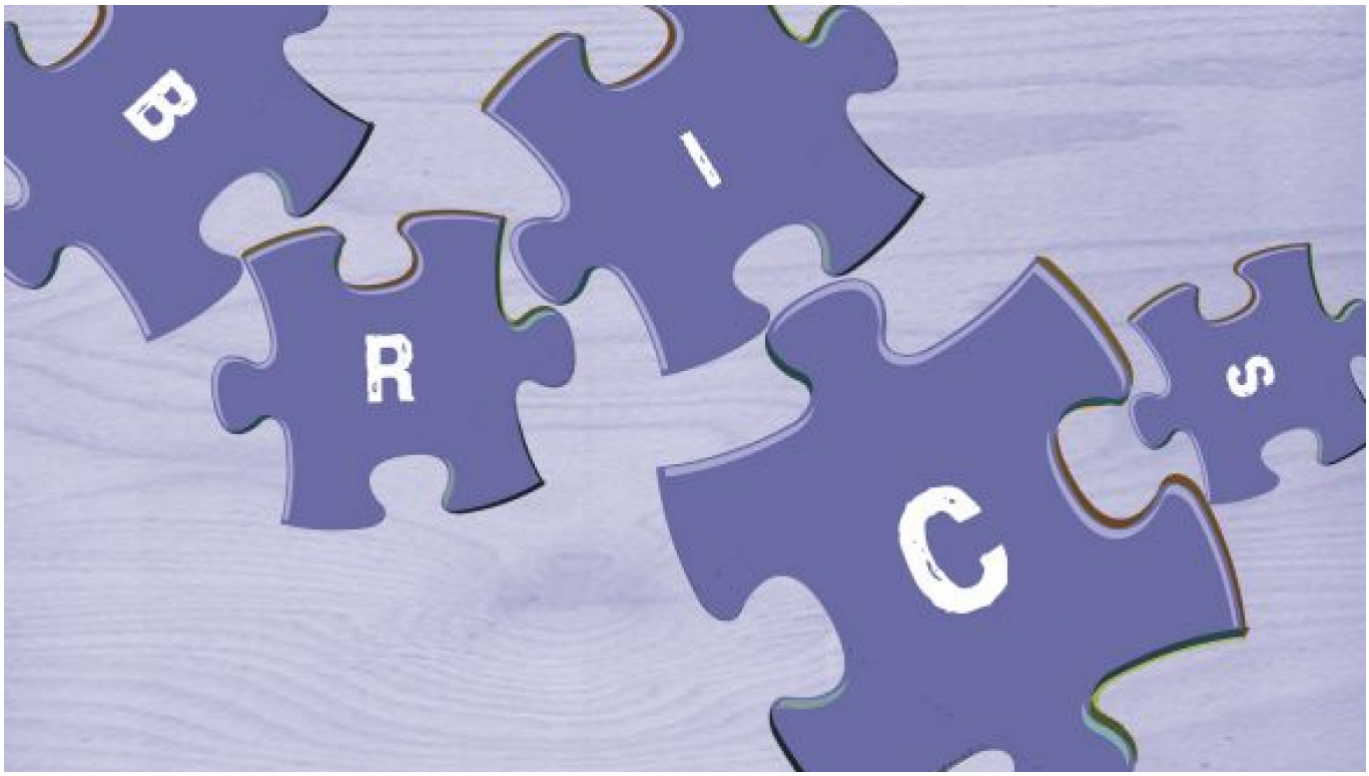
The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

BRICS Without Mortar

By Joseph Nye

April 06, 2013



Last month, China's new president, Xi Jinping, chose Moscow for his first foreign visit. He and President Vladimir Putin announced a number of agreements and then traveled to Durban, South Africa, for the fifth BRICS summit, where they joined with the leaders of India, Brazil and South Africa to announce the creation of a new development bank that could challenge the dominance of the World Bank and the International Monetary Fund. The five leaders' speeches referred to a shifting world order, and Xi said "the potential of BRICS development is infinite."

It looked as if the BRICS had finally come of age. Three years ago, I was skeptical about the BRICS group. Despite the recent summit's apparent success, I still am.

Nearly 12 years ago, Jim O'Neill, then the chief economist for Goldman Sachs, coined the term "BRIC" to describe the "emerging markets" of Brazil, Russia, India and China. From 2000 to 2008, these four countries' share of global output rose rapidly, from 16 percent to 22 percent in purchasing power parity terms, and their economies performed better than average in the subsequent global recession.

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For investors, that outcome justified the creation of the catchy acronym. But then a strange thing happened: The investors' creature came to life. In 2009, the four countries met for the first time in Russia in an effort to forge an international political organization. South Africa joined the bloc in late 2010 primarily for political reasons. As O'Neill recently told China Daily, "South Africa is quite fortunate enough to be in the group, as economically, it is rather small compared to the others." Moreover, its economic performance has been relatively sluggish, with a growth rate of just 2.3 percent last year.

Indeed, while the BRICS may be helpful in coordinating certain diplomatic tactics, the term lumps together highly disparate countries. Not only is South Africa minuscule compared to the others, but China's economy is larger than those of all of the other members combined. Likewise, India, Brazil and South Africa are democracies, and occasionally meet in an alternative forum that they call "IBSA." And, while the large autocracies, Russia and China, find it diplomatically advantageous to tweak the U.S. nose from time to time, both have different but crucial relationships with the United States. And both have worked to thwart efforts by India, Brazil and South Africa to become permanent members of the United Nations Security Council.

In analytical terms, it makes little sense to include Russia, a former superpower, with the developing economies. Russia lacks diversified exports, faces severe demographic and health problems and, in former President Dmitry Medvedev's words, "greatly needs modernization." Little has changed since Putin returned to the presidency last year. While economic growth benefited from the dramatic growth in oil and gas prices during the past decade, other competitive industries have yet to emerge, and the country now faces the prospect of declining energy prices. While it aims to maintain 5 percent annual growth, its economy was relatively flat last year.

If Russia's power resources seem to be declining, Brazil's appear to be more impressive, given it has a territory nearly three times the size of India's, a 90 percent literacy rate and triple the per capita income of India (and nearly twice that of China). But in the past several years, Brazil's performance has slipped: Annual economic growth has slowed from 7.5 percent in 2010 to 1 percent last year, with a 3.5 percent rate expected in 2013.

Like Brazil, India experienced a spurt of output growth after liberalizing its economy in the 1990s. Indeed, until a few years ago, gross domestic product growth was approaching

Chinese-style rates. This year, however, output is expected to rise by a relatively sluggish 5.9 percent. Unless it improves its infrastructure and literacy rate — particularly for women — India is unlikely to catch up with China.

So, should we take today's BRICS more seriously than the BRICs of three years ago?

Tellingly, the meeting in Durban failed to produce any details of the structure of the proposed new development bank, suggesting that little progress had been made in the year since the BRICS' last meeting in New Delhi, where the plan was announced. In fact, despite a commitment to start "formal negotiations" to establish the bank, disagreements about the size and shares of the bank's capital have not been resolved.

That lack of unity is symptomatic of the BRICS members' underlying incompatibilities. In political terms, China, India and Russia are vying with each other for power in Asia. In economic terms, Brazil, India and South Africa are concerned about the effects of China's undervalued currency on their economies.

Three years ago, I wrote that, "BRIC is not likely to become a serious political organization of like-minded states." The BRICS' most recent meeting has given me no reason to revise that assessment.

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