RECLAIMING RELEVANCE
BRICS and the New Multipolarity
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Foreword

The formation in 2010 of BRICS, the association of five major emerging economies: Brazil, Russia, India, China and South Africa, has given renewed voice to the global South’s demands for a more inclusive and just world order. For developing nations, it signifies a crucial point in history as the BRICS countries push for greater democratization of global governance institutions and an end to the structural hegemony of Western countries.

Over the years, the Southern countries have articulated a progressive world shaped by respect for human rights, primacy of economic and political sovereignty, and commitment to equality, justice and international law. These ideals and principles of the Bandung Conference have been manifested through various alliances such as the Non-Aligned Movement (NAM) and the Group of 77 (G77) and in the form of South–South Cooperation (SSC). The SSC proffers an alternative politics of solidarity aimed at ending all forms of colonial exploitation and subjugation, and promoting economic, political and cultural advancement that would pull developing countries out of the cycle of poverty and underdevelopment.

In contemporary times, there is a realization that developing countries need to work closer than ever before on issues such as development finance, climate change, quality employment, and inclusive growth. BRICS, which comprises some of the largest developing countries and accounts for nearly 45 per cent of global population, has a key role to play in addressing these issues and ensuring that the voice of developing countries is heard at major international platforms.

BRICS’ initiatives in setting up parallel institutions such as the New Development bank (NDB) and Contingent Reserve Arrangement (CRA) have given further impetus to these aspirations. The BRICS bank, for example, could be an important alternative source of finance for other developing countries, thus reducing their dependency on Western institutions and unburdening them from the stringent conditionalities of privatization, liberalization and deregulation.

The phenomenal rise of BRICS also presents new challenges and opportunities for civil society. On the one hand, there is the need to ensure that BRICS does not mean more of the same: that is, that it does not simply lead to a transfer of power from one group of countries to another such that the majority of people continue to be on the
margins of the development process, but represents a fundamental change in the way
global political and economic policies are formulated. On the other, BRICS countries
themselves are beset by many developmental challenges: an overt dependence on
a commodity- and export-driven model of growth has exacerbated extraction and
ecological degradation in many of the BRICS countries, and the pressures of rapid
urbanization, high levels of unemployment, and a collapse in public services such as
health, sanitation, education and housing have had the effect of deepening poverty
and inequality. Civil societies across these countries, therefore, need to engage with
each other to learn from their similar struggles and put forward alternatives.

Currently the BRICS agenda is overtly driven by governments, often in favour of
business interests. But to make it representative of people’s demands, governments,
progressive movements, civil society organizations (CSOs) and other stakeholders
have to adopt new development strategies that prioritize equitable access to public
services, creation of better jobs, and more transparency and accountability at all levels
of governance.

This publication comes at a time of profound changes in the international
system; as American hegemony continues to decline, geopolitics has witnessed the
ascendancy of multiple poles of regional power. This has led to greater multilateralism
in the form of global agreements such as the Sustainable Development Goals (SDGs)
and Paris Agreement on Climate Change, the negotiation of plurilateral trade deals, as
well as the resurgence of several regional forums.

As old alliances are revisited and new alliances formed, BRICS has retained its
importance in the multipolar global order. Through the contributing chapters, jointly
commissioned by ActionAid India, ActionAid Brasil, and ActionAid South Africa,
we look at whether it also remains relevant to the continuation of the idea of the
South. We hope that this compendium furthers the discussion on reimagining and
reinvigorating the BRICS forum.

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1. Introduction

The coming together of Brazil, Russia, India and China as the BRIC forum in 2008 was met with cautious optimism by much of the global South, while sceptics, mainly in Western quarters, pointed to diverging political aspirations and conflicting economic interests among the four countries to underscore the futility of the project. But there is no denying that the formation of BRICS (with the inclusion of South Africa in 2010) was too big a geopolitical event to ignore. At the time these five countries collectively accounted for approximately 15 per cent of world trade; today they constitute almost 19 per cent of world trade, contribute around 30 per cent of global gross domestic product (GDP) and represent more than 45 per cent of world population.

In recent years, cynicism about BRICS has gained traction as the member countries’ growth rates, which are closely tied to commodity prices, have dramatically slowed down since the crash of commodity markets in 2014–15. While Russia and Brazil have entered a period of prolonged recession, China has seen a sharp contraction in economic activity, and India is facing an impending job crisis. Brazil and South Africa are also dealing with political crises precipitated by large-scale corruption scandals; the hasty removal of a democratically elected government has pushed Brazil into turmoil and South Africa’s ruling party is perhaps at its most unpopular juncture with calls for President Zuma to step down getting stronger. As stories about the uncertainty and unviability of BRICS are becoming more pronounced among detractors, their governments are also facing increasingly vociferous criticism from academics, intellectuals and activists who contend that the BRICS countries do not want to overhaul or substantially alter the status quo to make the international system more democratic but only to tilt the balance in their favour.

BRICS was conceived with the express aim of effecting the reform of international financial institutions (IFIs), which have for long ignored the demands of the BRICS countries to assimilate their economic and political weight into the international financial architecture. They have been able to gain partial success in remodelling the Bretton Woods Institutions as was manifested in a quota shift of a little over 6 per cent in favour of large emerging economies in the International Monetary Fund (IMF), making China the third largest shareholder and putting India and Brazil in the list of the ten largest shareholders (though South Africa’s share was reduced in the restructuring). At the same time, BRICS has kept bilateral and politically contentious issues off the agenda even as it attempts to articulate and coordinate its position.
on geopolitical issues such as Ukraine, Syria and Palestine. Yet its most significant successes have come on the economic front in the form of the New Development Bank (NDB) and Contingency Reserve Arrangement (CRA). Moreover as the founding members, the BRICS countries also control 43.29 per cent of the vote in the Asia Infrastructure Investment Bank (AIIB).

The newly established IFIs have silenced many naysayers as they are testimony to a commitment on the part of the governments to work more closely as a bloc and take substantive action to claim what they perceive as their rightful place in global governance and thence challenge the institutional and normative hegemony of developed countries.

But despite the rhetoric of Southern solidarity, the policies adopted by the BRICS governments can only narrowly be seen as a resistance to the domination of the global North or the neoliberal order it currently thrives on. For the larger part, BRICS seems to be too deeply subsumed within the existing global capitalist development paradigm to pose a frontal challenge. Two recent examples stand out starkly.

Undermining their own commitment to sustainable development and the global South’s demand for climate justice manifested in the principle of common but differentiated responsibilities, the BRICS nations allied with the Washington-led Copenhagen Accord, a strategy that allowed them to avoid binding emission cuts. This in turn weakened the new global climate consensus or the Paris Agreement on Climate Change, which does not hold developed countries accountable through increased climate finance to developing nations and relies on voluntary pledges from the signatory parties. Instead, it has given developed countries and the BRICS governments the leeway to continue pursuing an extractive, high carbon economic model, which threatens to greatly amplify the current levels of environmental and social destruction.

In another instance, the BRICS countries, which played a key role in the IMF’s recapitalization in 2009 and 2012, further seemed to have empowered the IMF by making it mandatory for borrowing countries to have a pre-existing arrangement with the IMF to access more than 30 per cent of the funds under the CRA. This arrangement is to attest that the IMF is committed to providing financing to the requesting country on conditionality and that the requesting party can show compliance with the specified terms and conditions. Furthermore, the NDB and AIIB remain fairly opaque in their
functioning and neither bank has set up proper accountability mechanisms, such as an independent oversight body or a grievance redressal mechanism.

It appears that the BRICS economies have realized that their geopolitical interests are best served by entering into tacit and in some cases more explicit power sharing agreements with the Northern powers as regional hegemons, who claim to be speaking on behalf of a vast section of people in developing countries. Therefore, it is important to analyse BRICS from a standpoint particularly of these countries.

The revival of Southern projects has come at a time of resurgence of the South, which has once again shifted the discourse towards greater autonomy and polycentrism in global decision making. The BRICS countries have time and again reiterated their vision of a just and inclusive multipolar world based on sustainable development issues, which are inherent to the politics of the South. They have adopted South–South cooperation as the cornerstone of their relationships with other developing countries; and investments, technologies and development finance are now steadily flowing from BRICS to countries in Asia, Africa and Latin America. In fact, Africa has experienced its longest continuous growth spurt over the last decade, driven for the most part by BRICS, especially China and India.

But these reinvigorated relationships are led by an agglomeration of political and economic elites in the BRICS countries instead of being based on a shared history and imagination of struggle against imperialist globalization. Moreover, the legitimacy of groupings such as the G20 and BRICS is itself contested as they are unelected closed bodies that do not enjoy meaningful support from their neighbours. Rather, their neighbours are quite vocal and united in their suspicion of BRICS’ assertions of regional hegemony. India and China have also been accused of partaking in the ‘new neocolonialism’ of Africa, which has intensified the low quality growth model of African countries, as they become even more dependent on exporting raw materials to sustain their economies instead of diversifying into manufacturing, services and value-added products.

Thus, BRICS is a hugely contradictory phenomenon. The BRICS countries have little in common geographically, economically and politically. They are at odds with each other on several issues, be it unresolved border issues between India and China or concerns about trade imbalances between India and China or India and South Africa. It would hence be myopic to expect consistently coherent policies or
swift and decisive actions from the forum. But there is little disagreement that BRICS has strengthened multipolarity in the international system and posited a qualified challenge to the hegemony of the USA, which would perhaps not have been possible if it were left to dispersed poles sporadically exerting influence in their regional spheres.

What is also clear is that currently BRICS is an elite conglomeration protecting and forwarding the interest of capital to the detriment of the working masses and the marginalized. That is why it is important for civil society and academia to not dismiss the group altogether but to critically engage with it. Due to their preponderance, the BRICS countries are central to many global issues currently facing us, such as climate change, shortage of development finance, economic and financial crises, unemployment and lack of decent jobs, and international conflicts. In terms of solutions, therefore, the BRICS countries need to invest in cleaner and greener technologies, which ensure sustainable development, and adopt inclusive policies that provide more and better jobs to their people, especially the most marginalized sections. The BRICS institutions such as the NDB also need to offer real alternatives to the existing IFIs, moving away from the conditionalities of liberalization, deregulation and privatization, while putting in place strict and transparent socio-environmental safeguards. It is estimated that infrastructure investment requirement in developing countries would be around USD 1–1.5 trillion a year for the next twenty years and the BRICS nations could be the preferred partners for these countries. Finally, global governance entities like the World Bank, IMF and the UN Security Council are in serious need of a shake-up to reflect current global realities, and BRICS might just be able to deliver this.

As the BRICS economies are slowing down and their former bravado is tempered, it is likely that their governments will be more accommodative of the concerns voiced by other stakeholders. Civil society organizations (CSOs), social movements and other progressive actors must now strive to recalibrate the forum to present a substantial Southern challenge to the dominant North, based on the ideals of justice and sovereignty.

In this context, the present publication collates perspectives on BRICS from Brazil, India and South Africa. The constituent chapters examine the BRICS forum since its formation and discuss its shortcomings and achievements. The authors also look at the implications of the group for international governance and put forth policy recommendations for the BRICS governments, in the context of the key challenges
presently facing the peoples of the global South and to which the BRICS countries need to collectively respond.

Chapter 2 of this volume delves into the development trajectories of the BRICS countries, which have moved away from different forms of state-led developmentalism to market-friendly neoliberalism. The consequent vulnerabilities that this has exposed them to, such as the threats of exclusion from export markets or exit of capital, have not only kept them from adopting policies that might legitimize the state over the interests of the market, but it has also greatly limited their ability to influence or transform the international economic and financial architecture. This is despite the fact that all of them have large enough domestic markets to sustain their economies through a process of industrialization based predominantly on the home market.

Chapter 2 also discusses the implications that such compulsions may have for the autonomy of BRICS institutions such as the NDB. For example, since a significant portion of its funds would be financed through international capital markets, it is entirely plausible that socio-environmental concerns might not get the weightage that they should in the funding outlay.

Chapter 3 focuses on the relevance of the BRICS forum to Africa, particularly South Africa. As a part of the strategic and tactical BRICS alliance that favours more equitable partnerships than the historically asymmetrical North–South relationships, South Africa has much to gain. At the same time, South Africa, along with the other four countries, needs to ensure that the BRICS grouping does not become a self-interest group as its eminence is closely tied to concomitant development in the member countries’ respective regions.

Chapter 4 locates BRICS in the historical aspirations and underpinnings of the South, examining in particular the reactions of Northern powers and the global economic and political elite to such a forum, whether in the form of resistance, co-option or cooperation. It also expounds the central limitations to the future of the BRICS project in terms of ensuring social inclusion with sustainable development, given that the flawed developmental model of the member countries is based upon strong social inequalities and intensive exploitation of natural resources.

Chapter 5 reflects on the spectacular rise of BRICS, its eventual economic slowdown and the promise it still holds to become a vehicle for transformative
progress in the global South. It specifically looks at the contribution of BRICS to enhancing South–South collaboration through increased trade and investment, and increased access to development finance for other developing countries.

Given the challenges and the potentialities of the BRICS forum, it is imperative for civil society to engage with it and forge partnerships across the five countries to resist the neoliberal turn their governments have taken, and ensure inclusive and equitable growth that will address the needs of the most marginalized and dispossessed populations. If it goes in this direction, BRICS could yet contribute to constructing a more democratic, just and equitable world.

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2. The Relevance of a Southern Alliance

C. P. Chandrasekhar

When at the end of 2001 Jim O’Neill of Goldman Sachs focused attention on a ‘group’ of four countries, Brazil, Russia, India and China and referred to them with the acronym BRIC, he was encouraged by what he saw as the power and potential of these countries to influence the evolving international economic order. The simple point made by O’Neill was that given the then relative share and projections of future share of the four countries in world gross domestic product (GDP) and trade, the weight of these countries was and would become too large for them to be ignored. In fact, by 2050, together they would, in his view, have a bigger economic presence than the leading economies of that time; they would influence events outside their borders, and when the powerful countries (such as the G7) would meet to decide what should be done to face global challenges, the four would be brought to the table.

It has been a decade and a half since then. During that period not only did the influence of the geographically dispersed country-set identified by O’Neill increase in groupings like the G20 (created in 1999 after the Southeast Asian financial crisis), but the BRIC countries decided to come together as a group when the foreign ministers met at a summit in New York in 2006. The first formal summit of the initial group of four was held at Yekaterinburg, Russia, in 2009, the year in which a major financial crisis that triggered a global recession, still ongoing, changed the ways in which the world economy would henceforth be viewed. Central to that change was the evidence that the crisis was centred on the USA and the leading OECD countries; that it was a result of policy failures there, which left large financial entities inadequately regulated; and that it had not directly and immediately affected the emerging markets of which the BRIC countries were a part. Even if the timing was fortuitous, in substance the crisis influenced the transformation of O’Neill’s imaginary grouping into a real entity with summits, activities and a moving secretariat. In 2010, in a move that brought an important component of the developing world—Africa—into the group, South Africa was made a member.

There can be no doubt that the circumstances that led to the creation of BRICS made arresting the process of finance-driven and US-led globalization a reason for
its existence. The declaration issued after the first summit in Yekaterinburg referred to ‘the central role played by the G20’, as opposed to the G7, ‘in dealing with the financial crisis’. Host president, Dmitry Medvedev, declared at a press conference on the sidelines of the summit that since existing reserve currencies, including the US dollar, had not performed their function, ‘We are likely to witness the creation of a supranational reserve currency …which will be used for international settlements.’ The post-summit communiqué demanded a ‘greater voice’ for the emerging economies in international financial institutions and stressed the need for a ‘more diversified’ global monetary system. At that time the five countries accounted for about 15 per cent of world GDP and held about 15 per cent of the world’s merchandise exports. By 2015 they came to account for about 40 per cent of the world population, 22 per cent of world GDP and 19 per cent of world trade.

Despite significant institutional differences and very different post–Second World War trajectories, there are important similarities among all of these countries. The most important is that all of them have a large enough domestic market to sustain a process of industrialization based predominantly on the home market, especially if that market is expanded by appropriate institutional changes and well-designed state intervention. Not surprisingly in all of these cases there has been an effort at state-led industrialization based on the domestic market; and some (like Brazil and India) were classic cases in the early post-War years of ‘import-substituting’ industrialization strategies. Such strategies seemed an attractive option because limited industrialization in the underdeveloped countries and the limits to trade in primary products made growth based on the world market an uncertain prospect for them. The significance of this is that these state-led strategies were specifically geared to ensuring a substantial degree of independence from metropolitan capital, ‘imperialist’ countries and the international market, precisely the kind of objectives that were underscored by the original BRIC partnership.

Unfortunately, while the pursuit of this strategy helped many of these countries to build a substantial domestic industrial base, the growth of that base could not be sustained both because the pace of expansion of the domestic market proved inadequate for a host of reasons and because the required freedom from metropolitan capital and the ability to engage with global markets without facing balance of payments difficulties was not ensured. This was not because these were failed developmental states, when compared with an ostensibly successful developmental state like South Korea: not all countries could have successfully pursued a South
Korean–type developmental trajectory, which was predicated on a social and political history that generated a special relationship between the state and private capital, and was based on a special relationship with the USA. Rather they were instances of partially successful import-substituting industrialization strategies that were losing momentum by the late-1960s.

There is an important message here. Consider either Japan or South Korea, the two Asian successes that were not characterized by predominant state ownership and some form of central planning (as China was), even though the state played an extremely important role in leading development. While Japan has had a complex history starting with the Meiji Restoration, its post-War success was based on the pursuit of a mercantilist strategy involving substantial dependence on external markets for growth. South Korea, the only post-War developing country that managed to move from underdeveloped to developed country status, is also an instance of the pursuit of a mercantilist strategy with exports serving as an important stimulus to growth. On the other hand, there is no developing market economy that has managed to successfully industrialize on the basis of a home-market-based strategy.

This cannot be taken to mean that export-led strategies are the only ones that can work. It merely indicates that the institutional and interventionist requirements for a successful domestic market–based growth trajectory are so stringent that no government of a country in the developing market economy category has been able to ensure them. This makes capitalist success a relatively rare phenomenon, dependent on circumstances that make one or a very few countries successful exporters, while depriving others of the opportunity. Given the size and pace of growth of the world market at any point in time, there are after all binding constraints on the number of countries that can export their way to growth.

Moreover, export success itself undermines a country’s ability to sustain both its pace of expansion and its independence. Export success eventually leads to wage increases and currency appreciation, which undermine competitiveness and subvert growth. It also leads to a kind of dependence on the developed countries whose markets are central to the growth process and to demands from the countries on whose markets the exporter depends for ‘reciprocal’ concessions. A consequence is that economic success for brief periods, as in the second-tier newly industrializing countries of Asia (such as Indonesia, Malaysia and Thailand), is neither sustained nor accompanied by the corresponding independence that is warranted. After all, even
South Korea is not really considered a threat to the economic and political power of the developed countries and is at best a competitor in the industrial realm.

Seen in this light, the manner in which the BRICS countries have engaged with international capital in the post-1970s age of finance (partly as a response to the loss of momentum of their home-market-based growth strategies) is problematic. As widely discussed, the period since the 1980s has seen a dramatic transformation of the global financial system, as a result of a combination of financial liberalization in the developed industrial economies and the massive infusion of liquidity into the world economy. This infusion was, inter alia, the result of three factors: (i) the accumulation of foreign exchange surpluses with the oil-exporting countries after the oil shocks of the 1970s, a large proportion of which was deposited with the international banking system in the developed world; (ii) the accumulation of large investment funds with financial institutions, especially the pension funds that were the obvious location for the savings of the post-War baby-boomer generation that had entered the workforce by then and was saving for retirement; and (iii) the fiscal profligacy of the USA, which exploited the fact that it was home to the reserve currency with the dollar considered as good as gold, to spend way beyond its means. The net result was the build-up of large volumes of liquidity in the international system looking for venues for profitable investment. Initially this remained within the developed countries. But with saturation there, investors began to look to the so-called emerging markets, or developing countries, which were earlier considered risky investment destinations.

The access this gave emerging markets, including the BRICS countries, to portfolio foreign investments encouraged them to experiment with strategies that were predicated on exports by an unfettered private sector as the basis for growth. This involved trade liberalization, which was adopted on the grounds that the competition it would unleash would help restructure domestic economic activity, render firms and other economic agents internationally competitive and put the country on an outward-oriented, export-led growth trajectory. Even if this does prove to be the ‘ultimate’ result of such trade liberalization (which it normally is not), this cannot be its immediate fallout. Restructuring domestic capacity takes time, as does the process of finding customers and building ‘goodwill’ in global markets.

On the other hand, post-liberalization, the pent-up demand, especially of the rich, for imported or import-intensive goods, access to which had thus far been restricted by protection and regulation of import of technology and capital goods,
would be immediately released. This would lead to a widening of the trade and current account deficit in the balance of payments of the liberalizing economy, with foreign exchange expenditures rising much faster than foreign exchange earnings. So access to foreign capital to finance that deficit is a prerequisite for ‘successful’ liberalization that is not aborted by a balance of payments crisis. Trade liberalization needs support from financial liberalization, which ensures the inflow of mobile foreign capital in the new environment. Once financial liberalization helped achieve that objective, countries began to look to opportunities for growth based on exports. Liberalization policies that were earlier resisted because they were seen as imposed by the developed industrial countries and the international financial institutions, to prise open markets in less developed countries, began to be internalized by developing country governments. The transition, even in BRICS, from state-led developmentalism to market-friendly neoliberalism was underway. A central tenet of that strategy was to privilege the pursuit of profit by domestic and foreign private investors, to make them the drivers of growth. Inevitably, that has had adverse implications for taxation to finance welfare expenditures; wages, earnings and conditions of work for formal and informal sector worker; and for interventions intended to protect the environment and stall climate change, since that could limit profiteering.

The problem, however, is that access to foreign finance increases exposure to future liabilities in foreign exchange. The short-term relaxation of the balance of payments constraint is accompanied by an increase in the likely intensity with which balance of payments difficulties can afflict a country in the medium and long term, especially if it fails to emerge as a successful exporter. Moreover, as the presence of foreign investors within the country increases, the danger that these ‘footloose’ investors may turn their backs on that country also increases. The likelihood that the governments of these countries can experiment with policies or undertake actions that displease foreign investors and their governments, on the other hand, decreases. Finally, if and when a liberalizing country does face a balance of payments problem, reversing the liberalization that created that problem is near impossible. The difficulties are temporarily resolved by a dose of austerity, accompanied by further liberalization to ‘restore the confidence’ of foreign investors.

The consequences of the pursuit of a strategy of this kind, even if successful, is that it increases vulnerabilities of many kinds: vulnerability to a slowdown in or exclusion from export markets that are increasingly crucial for growth; vulnerability to the exit of capital that can precipitate financial and currency crises; and
vulnerability to pressures that prevent adopting any policies that legitimize the state and delegitimize the market, including welfare measures meant to address the worst forms of deprivation. In sum, the transition to neoliberal strategies, in very different ways and to varying degrees, in all the BRICS countries increasingly dissociates their success in terms of conventional indicators such as the GDP or trade growth from their ability to assert a degree of independence in their engagement with the developed market economies and in pursuit of an economic agenda that promotes the welfare of the majority. A homogenized neoliberal policy regime is not merely accepted but internalized and presented by governments as the best or the only possible alternative. This not only limits the degree to which these countries can challenge the hegemony of the developed countries led by the USA, but also affects their support for countries poorer than themselves. Even when brought to the table for discussions on global policies, they tend to focus on the pursuit of their own individual interests. Unity among the BRICS countries themselves and solidarity within the South is in practice difficult to sustain, despite the rhetoric.

This turn in the trajectories of the BRICS countries has implications for their ability (with perhaps the exception of China) to influence or transform the international economic and financial architecture. Governments standing up to or suppressing domestic opposition to their neoliberal policies are unlikely to oppose those policies at International Monetary Fund (IMF)/ World Bank meetings or WTO negotiations. Even when progressive governments are elected to power, as witnessed in recent years in some Latin American countries, their emphasis is on adopting special programmes to offer succour to the poor, but rarely to reverse the neoliberal policies that have been put in place. The emphasis is on giving neoliberalism a human face.

This limited progressivism also characterizes some actions by the BRICS group, which can be interpreted as having the potential to alter the international balance of economic power. The most important of these was the decision in July 2014 to establish the New Development Bank (NDB), with an authorized capital of USD 100 billion, and an initial subscribed capital of USD 50 billion. The BRICS countries, which share equally the paid-up capital in the form of actual equity (USD 10 billion) and guarantees (USD 40 billion), will remain dominant in perpetuity with their aggregate shareholding never falling below 55 per cent. The new multilateral bank is not too small in size, and it does keep control with its founding member states.

The NDB could be seen as a force that can alter the distribution of power in the global financial system for three reasons. First, it can reduce the dependence of
the poorest developing countries on the IMF and the World Bank. That dependence arises because even in a world characterized by substantially enhanced possibilities of mobilizing private resources in debt and equity markets, poorer developing countries are discriminated against and kept out of such markets. Since the NDB is owned and backed by governments in a set of ‘emerging economies’, it is likely to be able to mobilize substantial resources at reasonable cost from private markets and channel them to needy countries. Second, inasmuch as the allocation of these resources would be determined by the representatives of governments from the five BRICS countries, it could direct resources to projects that are more in keeping with the requirements of the Southern countries. Third, with control in the hands of the BRICS governments that are subject to the influence of local democratic forces, the terms on which the institution lends could in time reflect ‘Southern’ requirements and sensitivities. For example, it has been recognized by developing countries that the policy conditionalities attached to lending by the North-dominated Bretton Woods institutions limit national policy space in ways that favour the dominant nations and discriminates against the development interests of poorer countries and that of the disadvantaged sections of the populations in them. If, therefore, NDB lending occurs on terms that are more sensitive to the requirements of developing countries the impact can only be positive. In fact, conditionalities could be so set as to distribute a part of the benefits to the poor among developing country populations.

The issue is whether this would indeed occur. As noted earlier, it is unlikely that representatives nominated to the NDB by governments of the kind that have recently come to power in the BRICS countries will support, let alone recommend, discarding neoliberal policies or returning to strategies of the kind experimented with in the import substitution–based growth period. And since a significant part of the funds disbursed by the NDB would be financed with borrowing from international capital markets, the cost of capital is likely to be such that many socially relevant projects may not qualify for funding, or outlays to meet stringent environmental norms may be considered financially infeasible to implement.

Consider, for example, the BRICS-established Contingent Reserve Arrangement (CRA) with committed resources of USD 100 billion to support external financing requirements of countries facing balance of payments difficulties. Article 5 of the treaty establishing the CRA specifies a maximum borrowing limit for each member, which is a multiple of the financial commitment made by the member to the arrangement. Access to 30 per cent of this maximum (the delinked portion) is
available to a member based only on the agreement of the ‘providing parties’. The remaining 70 per cent (the IMF-linked portion) can be accessed in part or full only if, in addition to the agreement of the providing parties, the ‘requesting party’ can provide evidence of ‘an on-track arrangement between the IMF and the Requesting Party that involves a commitment of the IMF to provide financing to the Requesting Party based on conditionality, and the compliance of the Requesting Party with the terms and conditions of the arrangement’. This substantially dilutes the role that the CRA can play as an alternative to the IMF in offering balance of payments support to a distressed economy. If the CRA is being made a mere extension of the IMF, the possibility that the NDB can imitate the World Bank is also real.

Besides all this, the solidarity needed to make the BRICS a potent force to resist the erstwhile colonial and current hegemonic powers may be difficult to realize. If all these countries are pursuing neoliberal strategies with the world market in sight, they are competitors for markets and contenders for a special relationship with precisely those powers. Not surprisingly, little progress has been made on formulating a trade agreement among these five countries. After the ‘big bang’ NDB initiative, BRICS discussions have been concerned with a range of soft areas like education, a BRICS university, scientific cooperation, cultural exchange and the like. That may help widen intellectual horizons, but would not do much by way of altering the structure of global economic power.

All this does not mean that progressive political and civil society organizations should not engage with the institutions that BRICS as a group creates. They must do so, just as they must also engage with governments in these countries to resist the neoliberal turn and capture control over what finally are necessary instruments in the battle against international and national inequality and deprivation. These governments are much nearer to the poor, discriminated and disadvantaged in these countries, and they can be addressed through advocacy and agitation much more easily by the people in these countries than can more distant developed-country governments and their institutions. Even if developing country governments, the alliances they make and the institutions they create are currently controlled by elite interests, if they can help advance the interests of the marginalized and the poor, the effort of progressive forces to influence and even capture them must continue. The effort to make them deliver is an inevitable stage in the struggle to transform them, restructure the international and domestic economic order and reverse the neoliberal turn.
3. BRICS in Africa: Is it Time for a Reconfiguration?

Crystal Orderson

3.1 Introduction

The BRICS alliance is not simply a geopolitical, trade or economic one—it is a strategic and tactical alliance, based on the members—jointly and individually—securing their best interests.¹

Academics, journalists and activists have written extensively on the birth of the BRICS group and its social, economic and geopolitical significance, predicting a new era as the influential emerging economies located in the global South bring a more dynamic voice to global issues.

In the fifteen years since its birth, the criticism of this group has often been scathing and unflattering, especially from certain Western quarters. The criticism has escalated over the past few years, with most of the BRICS countries now facing dire economic adversity. It seems the dream of building a unified voice—at least on the economic front—is slowly being eroded. Some have even boldly argued that the countries are ‘driven to bargain’ together but are hampered by a lack of historical, traditional or ‘ideological cohesion’, which is threatening to pull the group apart.

One reason for this is, in part, due to the dire political and economic challenges some nations within the group are facing. But to simply write off BRICS is naïve and, frankly, wishful thinking. The group has so far cooperated on various political fronts (most notably at the UN Security Council reforms) on global conflicts and climate change issues (Gumede n.d.).

On the economic front, trade within the block has doubled to USD 500 billion at the end of 2015 from USD 240 billion in 2011. The establishment of the BRICS Development Bank, or New Development Bank (NDB), in 2015 has also surprised many ‘prophets of doom’. While it is too soon to look at the exact output of the BRICS

¹. Examples of this are seen in BRICS’ voting patterns on: UNGA/SC resolutions concerning Russia’s incursion in Ukraine; implications of the ‘precedent’ set by Moscow for Beijing’s engagements in the East and South China sea disputes; and controversial Tibet and Taiwan territories. See “South Africa’s Call for UN Security Council Reform.”
Development Bank, there is little doubt that on the socioeconomic front BRICS has proved rather disappointing, but this point will be revisited later.

3.2 Economic Realities

During the so-called ‘honeymoon’ period up until 2007, the emerging economies and BRIC (Brazil, Russia, India and China) were posting phenomenal double-digit growth. These countries were the exception in the fallout of the 2008 global financial crisis.

While the BRICS countries still account for more than a quarter of the world’s economic output, the picture is rapidly changing as some members face major political upheavals, with their currencies under severe pressure.

Economic data from BRICS also shows depressingly weak growth forecast, with Russia and Brazil in an economic recession, China’s phenomenal growth slowing down and South Africa showing less than one per cent growth. The exception is India, with close to 8 per cent growth estimated for 2016–17.

The columnist Willie Pesek argues that the BRICS nations ‘are now threatening to drag down the rest of the world’. This implies that the group cannot really be trusted to be a powerful ally and its economic data unfortunately proves this. Swedish economist and Atlantic Council’s Anders Aslund was scathing in an August 2013 Financial Times article, arguing that ‘The BRICS party is over. Their ability to get going again rests on their ability to carry through reforms in grim times for which they lack the courage.’ (Aslund 2013)

But this simplistic, narrow view is somewhat short-sighted. William Gumede reminds us that BRICS is ‘a strategic and tactical alliance’ and to focus only on the economic output doesn’t unpack the significance and relevance of BRICS in the world. Also, criticism often typically comes from a mainly Western perspective, which has often denounced the group as a threat to the global order. As political economist Dot Keet argues, ‘The most high-profile and publicly influential of the anti-BRICS actions by the US and its allies, often to denounce the aims and dangerous intentions of these growing economies and “expose” their global economic outreach, impacts on the rest of the world’ (Keet 2014).

The BRICS nations have had to counter the criticisms with their own narrative. Its leaders have often been on the offensive and, in South Africa’s case, its cabinet
ministers sing from one hymn sheet when they say that the BRICS is ‘creating an alternative’.

South Africa’s international relations minister, Maite Nkoana-Mashabane, argues that ‘The world is experiencing a quiet and yet profound shift from the old locus of political, economic and social power into a multipolar system with BRICS countries being the catalysts and drivers’. There is also an agreement that BRICS is an enormous opportunity to create an alternative global culture that challenges the global economic discourse.

Addressing the BRICS academic forum in Durban in 2013, Nkoane-Mashane argued that ‘BRICS represents a real paradigm shift’.

She further stated that ‘BRICS leaders and people have clearly signalled that we do not compete with any country or group and in fact wish to transform the former model of cooperation based on a zero-sum relationship in favour of more equitable and sustainable global partnerships.’ However, building this partnership has been slower than expected.

In the case of Russia, Vladimir Shubin from Moscow’s Institute for African Studies said that Moscow’s long-term objective was the conversion of ‘BRICS from a dialogue forum into a full-scale mechanism of strategic and ongoing interaction on key issues of world politics and economy’.

From the South African and Russian examples cited here, it is clear that the BRICS group means different things to different people. It is a challenge to fully evaluate the impact that BRICS has had on the global economy and within the respective nations. What is clear, however, is that it has challenged the hegemonic Western narrative and has continued to build strategic alliances.

Keet further argues that ‘BRICS could be best described and understood to be an evolving network of alliances reflecting the diverse forces, interests and motivations internal to the respective countries; and with their governments responding in different ways to external events/processes and influences’.

Allianz’s chief economist, Mohamed A El-Erian, further notes that ‘If anything, the BRICS concept is becoming more notable because these countries are
demonstrating an increasing willingness to take on a global system that they consider to be excessively (and unjustifiably) dominated by Europe and the US.’ It is important to note that nations will, at different moments, use the group to further their own political agendas but there is a general consensus within the group that the block is a powerful geo-political tool to counter Western dominance. The one way the group has shown this is through its trade, despite some of its own domestic issues.

### 3.3 Growth Figures

The BRICS countries are facing difficult economic times and experiencing lower growth rates, with both Brazil and Russia in recession. South Africa has recorded dismal growth numbers despite, ironically, overtaking Nigeria as Africa’s largest economy in August 2016. Only India has managed to post some good growth numbers.

India, which is the world’s fastest growing large economy and Asia’s third largest economy, will expand 7.8 per cent in the fiscal year ending March 2017—the fastest among big economies. Russia on the other hand, with EU and US sanctions over the Ukraine crisis and a drastic drop in oil prices, saw its GDP decline by 1.2 per cent in 2016. Brazil is suffering through its worst national trauma, with its economy in the third consecutive year of negative growth and a political crisis involving the impeachment of former President Dilma Rousseff. The new Brazilian leader is also challenging the socioeconomic gains made over the years, and there is a strong feeling there will be serious roll-back on this front. China’s exports are in decline and there is a concern that further economic shocks will impact upon the rest of the group.

### 3.4 New Development Bank

The New Development Bank (NDB) or BRICS Development Bank, launched in 2015, aims to mobilize resources for infrastructure development projects, which would be the main conduit for the bank’s policy.

The BRICS bank is a USD 100 billion institution with a currency reserve arrangement that seeks to address the ‘unfair strings’ and conditions attached to loans from the World Bank or IMF to which the countries of the global South have long objected.

In an interview to *The Africa Report* magazine, Leslie Maasdorp, Chief Financial Officer, NDB, has said if any of the five countries experiences problems, like Greece
has with balance of payments, or whether they have liquidity issues, they can tap into the hundred billion dollars.

There is of course the big hope that the NDB would follow a different approach to the World Bank, but Maasdorp’s views seem to support the status quo.

*The World Bank was established in 1945, the African Development Bank has existed for decades, the Asia Development Bank has existed for decades...We want to learn from these institutions and this is not about creating something new and just trying to be different and better. This is about learning, drawing from the best practices of these other institutions...*

This view from South Africa’s most senior representative at the NDB is somewhat unsatisfactory and needs to be challenged. The reason for this is that given the infrastructure deficit in Africa and in some of the BRICS countries, one would have hoped that the NDB would want to change the status quo of how the World Bank has dealt with support for Africa in particular.

### 3.5 Adding ‘S’ to BRIC

It has been six years since South Africa joined BRICS. When the country joined it in 2010 some, including South Africans, questioned the reasoning behind it. It was argued that South Africa did not have the same economic might as India, Brazil, China or Russia, and its place in the group was a mistake.

However, South African officials have downplayed this objection and believe the country’s inclusion meant that ‘BRICS gained the representation of the African continent.’ Senior South African cabinet minister and member of the Inter-ministerial Committee on BRICS, Malusi Gigaba, said at the launch of the *BRICS Journal* in Johannesburg in August 2016 that ‘South Africa represents not its own political interests but those of the Continent.’ Whether South Africa has indeed represented the voice of the African continent would need further analysis.

Economic data has shown that South African economic relations with Russia and Brazil are limited but China became South Africa’s largest trading partner in 2010 and the trade relationship continues to expand. By the end of 2012, South Africa’s trade with BRICS countries represented 19 per cent of the country’s total trade. By the end of 2011, South Africa recorded ZAR 4.2 billion (USD 504 million) in trade with
Russia, ZAR 55 billion (USD 6.6 billion) with India, ZAR 18 billion (USD 2.2 billion) with Brazil and ZAR 188 billion (USD 22.6 billion) with China.

Others have argued that the BRICS alliance has yielded ‘limited tangible economic benefits’ for the country. And China’s improved economic relations with South Africa have been on the back of exports of commodities to that country.

Pretoria dismisses this argument and, according to the country’s trade minister, Rob Davies, ‘trade ties with BRICS partners are vital to the economy’s health as they are our largest trading partners’.

BRICS trade within Africa has also increased. In 2013 alone, the BRICS members’ trade with Africa stood at USD 350 billion; it had jumped by 70 per cent or by USD 150 billion since 2008. As pointed out by Gumede, BRICS’ total trade with Africa exceeds that of trade between BRICS countries. In 2012, for example, BRICS’ total trade with Africa was USD 340 billion, while trade between the BRICS countries for the same period amounted to USD 310 billion.

3.6 South Africa’s Economic Blueprint: National Development Plan

South Africa’s economic blueprint, the National Development Plan, outlines the country’s development agenda. President Jacob Zuma has said that being a BRICS member ‘fits in well with our NDP objectives of raising employment through faster economic growth, improving the quality of education, skills development and innovation, as well as building the capacity of the state to play a developmental, transformative role’.

Zuma added that ‘At a global level, we want to obtain increased support for the reform of international financial institutions, the revival of the Doha Development Agenda, as well as the reform of the United Nations, including the United Nations Security Council.’

However, if one looks at South Africa and its employment or development trajectory six years after joining BRICS, one could argue that there has been little progress in this regard.

2. See ‘BRICS in Line with SA’s NDP Objective.’
A 2016 study by the economist Siphamandla Mkhwanazi has highlighted that income inequality, as measured by the Gini coefficient (a measure of income inequality of a country), is widest amongst black South Africans (0.58), and that this gap has increased since 1996 (0.53). The income gap among all races widened between 2011 and 2014.

Mkhwanazi’s research highlights the stark reality of the majority of black people in South Africa and shows that the white population had the highest income per capita at ZAR 215,000 per annum (USD 15,454), more than seven times greater than that of the black population at ZAR 29,000 (USD 2,084) per annum. ‘In relative terms, for every ZAR 1 earned by white individuals, blacks earn 13 cents, and this has not changed since 1996.’

There were high hopes, and there still are, that the areas of priority to BRICS in the context of people’s needs and demands and today’s geopolitical realities should include raising employment and lifting people out of poverty. This has certainly not been the case in South Africa.

One would have hoped that South Africa’s inclusion in BRICS would have somehow altered this by 2016. After all, the idea of the formation was based on the assumption that the global countries of the South would be working together to deal with income inequalities. The data has shown that this is not happening. It is in this context that it is argued that the BRICS countries should work closer together to deal with the massive income inequalities that exist.

A year ago, South Africa’s former finance minister, Nhlanla Nene, said the BRICS bank would mobilize resources for ‘transformational infrastructure development projects’. But apart from mobilizing resources for energy-related projects, there have been no tangible socioeconomic projects.

The question therefore is: Does the political will to do this exist? In addition, what is the role of civil society to ensure the NDB has a strong social mandate in these countries?

### 3.7 Civil Society Engagement

With these depressing numbers from South Africa, it is civil society that can ensure there is better accountability and inclusive, equitable growth in the BRICS group.
Civil society organizations, with their grassroots support base, can play an active role in monitoring the work and assessing whether the billions from trade are indeed benefiting the most marginalized and vulnerable.

Civil society has to be the eyes and ears for the millions of people in the group, to scrutinize the processes and the outcomes of the decisions of BRICS agreements. This is a tall order given the capacity and funding constraints that exist.

As ActionAid’s Fatima Shabodien notes, ‘As a citizen of one of the BRICS countries, I know that we hold tremendous power to help shape this group’s agenda. In an increasingly globalized world, the actions of one country or group can have massive impacts across the world’ (Shabodien 2013).

It is therefore time to galvanize this power by challenging the conventional discourse around BRICS and ensuring that governments are held accountable by engaging within the domestic space and internationally at the BRICS summits. The NDB must be lobbied to play its part in funding developmental and job-creating projects within BRICS countries.

As Gumede notes, civil society can create a ‘civic’ dialogue on the appropriateness of priorities and policies and can also play a monitoring role, provided there is ‘a structured channel for feedback, criticism and protest’, and act as an ‘early warning system’ when the direction of BRICS’ engagement appears to be going astray.

Shabodien has argued that the BRICS group must not become a ‘self-interest group and its members have a responsibility to ensure that development in their respective regions happens in as inclusive a manner as possible’. This is especially important given the regional configuration of BRICS: the fact remains that South Africa is supposed to represent the strategic regional interest of Africa, yet various reports3 have suggested that African civil society has not been very successful in adding its voice to shaping the BRICS agenda and that more should be done to ensure civil society’s voice in the debate.

Perhaps it is time for a more focused approach by civil society so that it can have a more institutionalized voice within BRICS, away from the academic and business forums that exist.

3. ‘BRICS Summit Reader— Special E-Newsletter’ has some interesting comments on this.
In South Africa’s case, the government has to be pressured or persuaded to adopt urgent and radical pro-poor policies to address the dire socioeconomic needs of its people. Given that the country has a development plan, this can form the basis of engagement for civil society groups to pressure the government, and best practices can, in turn, be replicated in other BRICS nations. Civil society has to hold leaders accountable for the promises they have made.

3.8 Conclusion

There has been a concerted effort by the South African government to take the BRICS message to communities across the country. There have been numerous roadshows that have aimed to educate citizens on the importance of BRICS and the role of South Africa. But there is little evidence to suggest that these roadshows have been successful in informing people on the role of BRICS; there is limited space for organizations to first, influence the agenda; two, influence the particular BRICS positions; and three, partake in the roadshows. This could be a space where civil society organizations (CSOs) could form partnerships with the government—to educate citizens on the need to participate and build momentum and also to provide recommendations on the approach for future actions. CSOs could play a part in unpacking BRICS and explaining to communities how they could be involved. Different issues such as land reform, gender and socioeconomic issues could be discussed. Perhaps this could be used as an opportunity to organize ahead of BRICS summits. The delays in implementing summit declarations can also be addressed. As BRICS continues to focus on economic and trade issues, with social issues taking a back seat, the BRICS roadshows could be a valuable tool to keep the BRICS message alive and not just restricted to before a summit is to take place. The bottom-up approach for engagement can promote inclusive development.

With a 70 per cent increase in South Africa’s total trade with BRICS in July 2015, President Jacob Zuma said the socioeconomic challenges confronting developing countries must be addressed within the current dynamics, and measures have been put in place to deal with them. Is it possible to have a civil society BRICS process at local, national and international levels?

A permanent platform needs to be developed in order to ensure a coherent and structured approach to CSO engagement with BRICS. Until this is achieved, the dire socioeconomic needs of countries will be overshadowed and the economic gains will be the only and dominant narrative of BRICS.
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4. Challenges Ahead: Multipolarity and Sustainability

Gerardo Cerdas Vega, Silvio Caccia Bava and Jorge Romano

4.1 Introduction

The emergence of BRICS as an active bloc in world geopolitics had the purpose of questioning the concentration of power, accorded to the major powers that won the Second World War, in multilateral bodies. The current economic importance of the BRICS countries provides them with the legitimacy to demand the reform of the international regulatory system and a seat in the decision spaces of such organizations.

However, BRICS has faced resistance from the representatives of the old establishment from the North, concerned to some extent about the possibility that the BRICS members may constitute themselves as a force contesting (even though to a minimal degree) the existing order. Therefore, they are oriented to undermining BRICS, by pointing out the alleged multiple failures of the BRICS countries and their inability to perform as leaders in a multipolar order.

On the other hand, for much of civil society and a large majority of the respective populations of the member countries, BRICS remains an incomplete project, at most an initiative deriving from the interest of governments and businesses with little or no effective connection with local and regional realities, and without an institutional framework that favours dialogue with the various peoples coexisting in these countries of continental dimensions. All of this is despite the rhetoric of leaders and ministers of state, who gather once a year with intense agendas and lead various mechanisms for cooperation and bloc institutionalization, especially the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) created in 2014.

As the global crisis deepens and reaches the very heart of countries like Brazil and Russia, little seems to have been realized in terms of BRICS as a collective force being able to address the deleterious effects of the global recession prevailing since 2008. Not even China can be considered safe from the impact of the crisis, despite its huge monetary reserves and its still-expanding massive domestic market.
In the context of the latest BRICS summit (the eighth summit in October 2016 in India), and the change of government in Brazil (that seems to be systematically moving away from a Southern multilateralism to a more Western-centric approach), it becomes politically relevant to broaden the debate on BRICS and question what can (or can’t) be expected from it.

For a civil society organization like ActionAid, which acts directly in at least three of the BRICS countries (Brazil, India and South Africa) and has undertaken the mission of building a fair and sustainable world in which every person can enjoy the right to a life with dignity, it is of utmost importance to advance its own interpretation of the meaning, contradictions and potentialities of BRICS. To what extent has BRICS gone beyond the official rhetoric, and, through its proposals for multipolarity, the dynamics of its economies and the operationalization of its New Development Bank, been actively contributing to building a more equitable and sustainable world?

4.2 A Multipolar World through BRICS?

The first half of the twentieth century witnessed the exacerbation of revolts against imperialist domination in Asia and Africa, which resulted in Indian independence, on the one hand, and the decolonization of Africa, on the other, especially from the decade of the 1940s onwards. The decolonization of Africa is one of the most complex and remarkable political processes of the twentieth century, with the direct consequence of a significant increase in the number of sovereign nations that have joined the United Nations, established at the end of that decade.

The process of decolonization also led to the emergence of a bloc of peripheral nations, some newly created, which progressively formed an alliance of countries ‘non-aligned’ with the great opponent blocs that staged the Cold War. The emergence of the ‘Third World’, as the heterogeneous group of nations not directly included in the NATO or Warsaw Pact (that would hence be called ‘First’ and ‘Second’ Worlds, respectively) came to be known, owes much to the Bandung Conference in Indonesia (1955), which marked the emergence of what came to be called the ‘South’ as a significant force in international affairs, as opposed to the ‘North’, thus establishing one more cleavage in the geopolitical divide (Toni 2016).

The Bandung Conference, attended by 29 countries (among them India and China, which are members of BRICS), was in fact the symbolic beginning of a profound process of geopolitical restructuring that favoured the establishment of
the Non-Aligned Movement in 1961, as well as the Group of 77 (or G77) and United Nations Conference on Trade and Development (UNCTAD) in 1964. These countries, thereafter, advanced their own ideas of the development discourse, leading to ambitious proposals for international regime reform, whose most eloquent expression (formulated in the 1970s) was the so-called ‘New International Economic Order’, which was driven within the United Nations to redefine the ‘rights and duties’ of states in search of renegotiation of a world order more just, balanced and favourable to the development of the poorest nations, and committed to a firm action plan to concretize these initiatives.

In retrospect, it is clear that the proposals for the reform of the international system, put forth by developing countries in the 1970s (including those who are now part of BRICS), even while not seeking a break from the existing order but only a change, so to say, in redistributive terms (redistribution of power, knowledge, resources), were significantly comprehensive, not only for including a wide range of issues but mainly for having a much larger set of countries united around common goals.

For example, in Resolution no. 3201 of the UN General Assembly, adopted in 1974 (UN General Assembly 1974), issues such as the denunciation of neocolonialism, foreign occupation, racial discrimination and economic inequality occupied an important place. It was stated decisively that ‘It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order.’

The demands and proposals included topics such as the role of the states in the management and exploitation of natural resources, including the right to nationalize those resources and take them out of the control of multinationals; the question (as in current times) of the fair price of raw materials; a comprehensive reform of the international monetary system that would ensure the flow of resources to the poorest countries; and a significant emphasis on the role of international cooperation, taking into account global economic interdependence.

But all that mobilization has not yielded the results expected by the Third World countries. The 1980s brought neoliberal hegemony along with it, leading the countries of the South to a ‘lost decade’ (especially in Latin America and Africa) and reasserting the hegemony of the North (particularly of the USA) internationally.
The NAM lost a lot of its strength, the United Nations was drifting without substantial structural discussions on development, and the agencies (especially UNCTAD and the UN Economic and Social Council (ECOSOC), which had worked to endorse the demands of the South, lost political weight.

For many years thereafter, it seemed that the challenge to Northern domination had ended and the countries of the South had to conform to the unipolarity that emerged with the end of the Cold War. Given this background, what is the significance of BRICS for the reconfiguration of global geopolitics? To what extent does this bloc recover the legacy of the historical aspirations of the South and what are the innovations it brings along, considering the uneven paths of its member countries in their international relations? Has BRICS contributed effectively, in addition to the official rhetoric, to the construction of a multicentred world? And, further, does BRICS represent a civilizing alternative, in the context of the social and environmental collapse produced by globalized capitalism?

Historically, the South built alliances and claimed platforms that assumed a clear division between it and the North, between the developed and underdeveloped countries, between industrialized nations and exporters of raw materials and so forth. Based on this starting point, reform proposals such as the New International Economic Order were appeals for a reform guided by the definition of more equitable terms of trade, technology transfer and respect for self-determination and national sovereignty, among other central issues. But BRICS is not a synonym for what we might call the ‘South’. Even while sharing colonial histories, we have in the bloc a country like Russia, until recently the epicentre of a super world power; we have China and India, with civilizational national histories and populations that account for about one-third of the world’s population, the former presently being the second largest global economy; we have Brazil and South Africa, countries that struggle between an authoritarian past, democratization, social inclusion and an uncertain future. What kind of platform can arise from this set of nations?

The Joint Declaration of the Heads of State of the first BRIC summit in 2009 (without South Africa) presented as a programmatic platform of the bloc:

- A demand for reform of the international financial institutions

1. Despite the fact that the 1990s saw the emergence of a whole set of issues and concerns related to the environment within the UN, this debate came without a deeper questioning of inequalities between nations of the North and the South.
• A reaffirmation of multilateral trade rules defined in the WTO

• A comprehensive reform of the United Nations

• The establishment of a multipolar framework for global governance, whose foundation would be the G20

Older issues such as the transfer of technology to developing countries and the role of international North–South cooperation still find a place (even though visibly reduced) on the agenda, together with environmental sustainability, food security, climate change and energy efficiency.

However, it seems that BRICS is defending an even weaker multilateralism than the one the Southern countries have held in the past, creating thus a new elite club and reducing any space of actual impact in decision making by most of the South.

Compared to the voices of the South in the 1970s, which did not propose a systemic disruption, the voice of BRICS seems less radical and less effective in building a multipolar world.

4.3 The Challenges of Climate Change and Sustainable Development: BRICS’ Response

Although we cannot minimize the responsibility of the North on the issue of climate change, equally we cannot close our eyes to the fact that the BRICS countries also have an obligation in this regard and that putting adequate environmental brakes to the expansion of capital is not a main item on their agenda. In fact, China, India, Russia and Brazil are among the countries that contribute the most to the emission of greenhouse gases. The Climate Change Performance Index, which evaluates the performance of 58 countries in combating climate change, places India in the 25th position, South Africa in the 38th, Brazil at 43rd, China at 47th and Russia in a hardly creditable 53rd place. Even the United States does better, occupying the 34th position (GermanWatch 2016).

On the other hand, in Brazil 80 per cent of the Cerrado and 40 per cent of the Amazon region have already been devastated or degraded to make way for big commodity crops, whose main destination nowadays is China. Lakes, rivers and aquifers in Brazil, India and China are subjected to intense water stress. We have emblematic cases such as the São Francisco River and the Doce River in Brazil, which
are almost dying as a result of overexploitation of their water or mineral resources. In China, the country’s 24,800 lakes cover an area of over 80,000 square kilometres, but are severely threatened: Lake Poyang, the largest of them, faces a collapse comparable to the Aral Sea, because its area decreased from 5,200 square kilometres in 1950 to just over 2,600 square kilometres in 2003, and to only 200 square kilometres in 2012. Aerial photographs show Lake Poyang converted into a desert. Also, 60 per cent of India’s aquifers are in critical situation and by 2050 it is expected that 17 per cent of the population will suffer an overall shortage of water (Marques 2015).

Similarly about 60 per cent of China’s aquifers are polluted, and Beijing is running out of water. In the northern plain, the quality of more than 70 per cent of the water supply is inadequate for human contact (let alone human consumption). Between 1950 and the present, the number of rivers with significant areas of influence has fallen from over 50,000 to just 23,000 today—that is, in just over six decades, almost 27,000 rivers have disappeared. In the last five years, China and Brazil have faced the worst droughts in 80 years. To a large extent, the devastation of water resources is associated with both industrial pollution and the expansion of industrial agriculture. The decline is also associated, in part, with land degradation and desertification.

Despite the official rhetoric of BRICS on renewable energy sources, the case is that all these countries are increasing, not decreasing, their consumption of fossil fuels. For example, in line with the fact that the global economy is experiencing a regression to coal (since 2003 there has been an increase of 45 per cent in production worldwide), we find that China and India are the first and the third largest world producers of coal; this fuel accounts for 79 per cent and 68 per cent of electricity generation in each country, respectively. On a global scale, the main coal reserves are concentrated in China, the USA, Russia, Australia, South Africa, Mozambique, India, Mongolia and Indonesia. That is, four of the five BRICS countries are among the main holders of this fossil fuel. By 2030, it is expected that coal will meet 80 per cent of energy needs of India. The estimated value of global coal reserves is USD 8 trillion and it would appear that ‘For Russian, Chinese and North American bureaucracies and corporations, the expectation of profit in the short term with the eight trillion dollars in which these reserves are evaluated accounts for more than environmental arguments’ (Marques 2015, p. 257).

In terms of rhetoric also, there are limitations and challenges. In the latest BRICS summits and during the creation of the NDB, emphasis has been given
not only to renewable energy resources but also to the narrative of sustainable development. However, as civil society organizations have pointed out, neither in the declaration of the sixth summit of Fortaleza (where the chosen theme was ‘Inclusive Growth: Sustainable Solutions’) nor in the resolutions on the NDB, created to finance infrastructure and sustainable development projects, is there a definition or qualification of the meaning of the term ‘sustainability’. The limitations in terms of achieving social inclusion and sustainability are the central and strategic issues for the future of the bloc, since they expose the nature of the development model of the member countries, based upon strong social inequalities and intensive exploitation of natural resources. All members of BRICS have extremely high and increasing rates of concentration of income, including Brazil, despite the reduction of income inequality that took place until recently.

Advocating for a reversal of this situation of rhetorical vagueness and of practices that generate inequalities and exacerbate climate change, social movements and organizations of various countries have begun to demand that the bloc prioritize a new path of development, with emphasis on the distribution of income and wealth, valuation of work and wages, and strengthening of the rights of the marginalized. At the same time, through strict social and environmental regulation of the NDB loans, organizations are also urging that the bloc should curb malpractices of businesses in their countries and abroad. Infrastructure projects to be financed by NDB, instead of repeating the social and environmental disasters committed by national and international development banks, should give priority to infrastructure for housing, sanitation, health, education, support to peasant- and family-based food production systems, among many other urgent needs for securing rights of people in the five countries (Melo 2014).

After the BRICS summit of Head of States held in Ufa, Russia (2015), civil society organizations reaffirmed the need for the NDB to facilitate a new model of development, by adopting four principles in their institutional practices, and particularly in their funding:

1. The NDB should promote development for all, supporting an inclusive, accessible and participatory model in accordance with the choices of communities. Poverty and inequality should be tackled; barriers to access opportunities removed; human rights, local cultures and the environment respected. Accordingly, in its operations, the NDB should prioritize transformative investments that are not restricted to mega projects, focusing on social infrastructure for the poorest and
excluded populations, providing access to public services, housing, education and the flowering of local economies.

2. The NDB should ensure that the development of internal policies and operations are transparent, accessible and participatory, so that communities potentially impacted by the bank’s activities have access to information and the ability to influence and shape the investment decisions. At the same time, the NDB must build democratic, transparent and representative governance structures that ensure equal and non-discriminatory treatment between providers and beneficiaries. In this sense, the bank must provide spaces for other stakeholders, including trade unions, social movements, communities and NGOs so that they participate in the choice, design, implementation and monitoring of projects to be funded.

3. The bank must establish robust rules and ensure that they are respected. These rules shall ensure that populations and the environment share the benefits of its activities. At the same time, the NDB’s policies and internal procedures must follow the highest standards of protection of human rights and the environment, and be consistent with international law.

4. The promotion of sustainable development should be the backbone of NDB’s mandate. Considering climate change and its current, profoundly negative effect on development and the possibly destructive future trend, NDB’s investments should promote long-term solutions that are sustainable and provide resilience. This means respecting the rights of communities over their territories and a clean environment, and breaking the current model of polluting, predatory and intensive extraction of natural resources in developing countries (Conectas Direitos Humanos et al. 2015).

Unfortunately, at present one cannot perceive any concrete move by BRICS or the NDB to adopt these principles, or an equivalent to address the causes and effects fostering climate change and to effectively construct a new more equitable and sustainable development model.

4.4 Geopolitical Deficits

Even if we set aside the expectations from, and potentialities of, BRICS in terms of questioning and reforming the process of global governance and its institutions in order that they more properly reflect their weight and contribution internationally, the geopolitical deficit remains —namely, the deficit in terms of building multipolarity
to effectively contribute to the democratization of the relationship between states. To a large extent, the multipolar world that BRICS has been drawing reproduces the globalization fostered by neoliberal hegemony; in dealing with it, a new group of select countries has implemented the same logic of systemic domination over the rest of the nations of the South.

On the other hand, if we consider BRICS from a social and environmental justice perspective, it is more difficult to identify to what extent these countries are, in fact, contributing to a more just and sustainable world. The deficit in terms of equity and environmental sustainability is increasingly evident. Progress, which meant that Southern countries recognized a common but differentiated responsibility for emissions because developing countries need more space and time to reach a level of industrial, economic and social development equivalent or close to that of developed countries,² currently means nothing but more of the same in the case of BRICS. The development paradigm promoted by BRICS (in practice, not in rhetoric) is no different from the one that has driven us to the extreme risks of climate change and growing inequalities. Rather, it is the same paradigm that promotes the deepening of domination by the financial system, the expansion of fossil energy sources, the predatory use of resources and the depletion and destruction of water sources.

We have discussed some of the profound contradictions and challenges that BRICS presently experiences. Movements and civil society organizations are trying to build a dialogue not only with the authorities, but also with the peoples of the BRICS nations, hoping that the bloc will really overcome the deficits. But this discussion also invites reflection on the need for a paradigm shift to a new development mode, which allows BRICS to contribute not just rhetorically, but effectively, in building a more equitable, democratic and sustainable world, on the basis of a strong polycentric multilateralism, with meaningful participation of the South in making vital decisions for the future of humanity and life on this planet.

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² The validity of this claim and its social and environmental consequences would merit a discussion that is beyond the scope of this short chapter. A further discussion on development necessarily involves questioning the dominant conception of development, guided by industrialization, urbanization, consumerism, etc.
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5. A Voice for the Development of the Global South

Parthapratim Pal

5.1 Introduction

The BRIC forum was launched in 2009 in the aftermath of the financial crisis. The broad goal was to emerge as a strong South-based forum, which would aim for a more egalitarian global order. Subsequently, in 2010, South Africa was included in the group to make it BRICS.

It is possible that as a group of five big emerging market economies, BRICS can become a South-based driver of growth for the developing and least developed countries through increased trade and investment linkages. The BRICS countries are a big market and they can also be a major source of capital to the poorer countries. However, there is also a flipside, which may be worrying. The BRICS countries account for a very high share of investment that flows into developing countries. It is possible that these countries may end up absorbing most such investment flows, thereby denying the advantages of flow of capital to other poorer countries. Moreover, Brazil, Russia and South Africa are commodity exporters and potentially these countries can out-compete other poorer commodity exporting countries. On the other hand, there have been allegations against China and, to a lesser extent, against India that they are replicating the colonial pattern of economic relationships, especially with the countries of Africa. There are also questions about how much Africa is gaining from increased economic ties with China.

Against this backdrop, this chapter will investigate the role played by the BRICS countries in the development and economic expansion of the global South through enhanced trade, and commercial and investment linkages. The chapter will analyse the development of BRICS and focus on the possible role of BRICS in improving South–South collaboration through increased trade and investment and improved access to development finance to other South-based countries.

5.2 Rise and Fall of BRIC as an Investment Bloc

In 2001, Jim O’Neill of Goldman Sachs suggested that in the next ten years the share of Brazil, Russia, India and China would reach a critical level in the world gross domestic
product (GDP) and global policymaking should be reorganized to incorporate these fast-growing developing countries. In a subsequent Goldman Sachs paper, Wilson and Purushothaman (2003, p. 17) put forward some estimates suggesting that in less than 40 years, the BRIC economies together could be larger than the G6 in US dollar terms and by 2025 they could account for over half the size of the G6. The authors concluded that with global realignment taking place and the BRIC countries occupying a more prominent place in the world economy, there would be an opening up of ‘significant opportunities for global companies. Being invested in and involved in the right markets—particularly the right emerging markets—may become an increasingly important strategic choice.’

BRIC succeeded as an investment strategy and provided high returns to investors who put money in these markets. But the financial crisis of 2008, the resultant subdued global demand and subsequent volatility in the commodities market diminished the growth prospects of emerging markets, including the BRIC countries from around 2010. A comparison of the forecast of GDP growth rates by Wilson and Purushothaman (2003) and the actual growth rates achieved by these countries might be useful to highlight the slowdown the BRIC countries have experienced since 2010 (Table 5.1).

As is evident from Table 5.1, since 2010 major divergences have appeared between projected and actual growth rates for Brazil and Russia. Long-term economic forecasts are based on past trends. However, sudden economic shocks, uncertain events and major breaks from past trends can derail such forecasts. Three such major events happened to the global economy since 2007. First, a massive financial crisis hit the USA and gradually its impact spread to other countries. Second, commodity prices became extremely volatile and after a brief spike there was a sharp decline in these

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Source: Projected growth rates from Wilson and Purushothaman (2003, p. 8) and actual growth rates from IMF (2016).

1. The authors used the term ‘G6’ to represent the USA, Japan, the UK, Germany, France and Italy (developed economies with GDP over USD 1 trillion at that time).
prices. And finally, as a second-round effect of the financial crisis, some countries in the Euro zone faced sharp growth reversals. These problems also affected the BRIC countries and gradually eroded investor optimism. Asset valuation of the BRIC fund of Goldman Sachs suffered a massive decline. In November 2015, Goldman Sachs closed its BRIC fund after it lost 88 per cent of its assets since its 2010 peak. As an investment portfolio, the BRIC concept was brought down by a series of economic events like the global recession and the commodity price shock.

However, these same economic factors also became important factors for the emergence of BRIC as a new economic-political bloc. The financial crisis dramatically lowered the growth rates of developed countries. The bigger developing countries, however, did not suffer an immediate slowdown. It was noticed that for larger developing countries, overdependence on developed country markets was gradually reducing. In this context, the concept of ‘decoupling’ became popular. Decoupling means that high-growth developing countries are now less dependent on the growth cycles of developed countries. The growth trajectories of these countries are being influenced less by business cycles of the traditional economic powers. Numbers supported this claim as the GDP of BRICS (Brazil, Russia, India, China and newly included South Africa) grew much faster than the GDP of the G7 countries. As Figure 5.1 shows, from 2006 to 2012, the GDP of the BRICS countries as a percentage of the GDP of G7 countries more than doubled, from 21 per cent to 44 per cent.

During this period, the scale and magnitude of economic growth coming from the South was unprecedented in economic history. According to the ‘2013 Human Development Report’, ‘the current economic takeoffs in China and India began with

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\caption{GDP of BRICS as a Percentage of GDP of G7 Countries}
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Source: IMF

2. See Kose et al. (2008) for an early exposition.
about 1 billion people in each country and doubled output per capita in less than 20 years—an economic force affecting a hundred times as many people as the Industrial Revolution did’ (UNDP 2013, p. 11).

The speed and scale of the rise of these large developing countries gave them the confidence to challenge the existing global governance structure. There was also a sense of changing global landscape, which helped their cause.

The logic behind the establishment of BRICS was strong. The multilateral organizations that govern and monitor the global economy now were designed after the Second World War and they reflect the international order of that period. The strong emergence of the global South challenged the old international order. Therefore, it was felt that a greater involvement of the developing countries on the global policymaking stage was warranted. The emergence of G20 as the central forum for international cooperation on financial and economic issues also helped the formation of BRICS. The G20 played an important role in controlling the impact of the financial crisis in 2008. It allowed the larger developing countries to get a foothold in global policymaking in a direct manner. However, the agenda of the G20 has been based on neoliberal structural reforms, which imposed a level of co-option on the developing countries and limited their voice. It became important to have a grouping of large developing countries not only ‘to [serve the] common interests of emerging market economies and developing countries, but also to [build] a harmonious world of lasting peace and common prosperity’.³

In the first BRIC summit statement it was mentioned that one of the central objectives of BRIC is to ensure that emerging countries have greater voice and representation, in international financial institutions, in improving international trade, investment environment and global cooperation. BRIC made it clear that it kept its faith in the World Trade Organization (WTO) and multilateral trading system and that it was not intended to be a trade bloc. Over the years, eight BRICS summits have been held and the statements have become more ambitious. A crude measure of complexity of the various rounds of BRICS summit declarations is given in Table 5.2.

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3. Joint Statement of the BRIC Countries Leaders, 16 June 2009, Yekaterinburg, Russia, para. 3.
4. The declaration says: ‘The emerging and developing economies must have greater voice and representation in international financial institutions, and their heads and senior leadership should be appointed through an open, transparent, and merit-based selection process. We also believe that there is a strong need for a stable, predictable and more diversified international monetary system.’ Ibid.
It is seen that while the first declaration was a small 16-point document, over the years the declarations have become more extensive and the latest one is a comprehensive 110-point document with a wide coverage.

The eighth BRICS statement (2016) covers a very wide gamut of issues, including global political issues, intra-BRICS cooperation, outreach of BRICS to other regional and economic groupings, including the G20, global governance, including issues related to the United Nations and Security Council; global security challenges and terrorism, including bioterrorism; reform of the IMF and World Bank; regional and multilateral trade and international taxation; energy- and environment-related issues; money laundering and corruption; issues related to information and communications technology (ICT), sustainable development, urban development and gender issues. It even has some discussion on outer space activities. However, the broad goals of BRICS have remained the same. BRICS, as a group, aspires to become a more active participant in global economic governance.

### 5.3 New Development Bank (NDB) and Contingent Reserve Agreement (CRA)

There has been a general displeasure among developing countries about how the multilateral organizations function. The IMF and World Bank, as well the General Agreement on Tariffs and Trade (GATT) and WTO used to be heavily influenced by developed country members. A large number of GATT and early WTO negotiations were driven by the so-called QUAD countries (Canada, European Union, Japan and United States). The IMF and World Bank have voting shares that are out of proportion in the current global scenario. Among these institutions, the WTO is more democratic.
as it has a ‘one country one vote’ system. However, both the World Bank and IMF have a voting system that allows large developed countries much more power based on historical data. This reduces the voice of developing countries in influencing the functioning of the World Bank and IMF. In spite of radical changes in the global economic structure, so far the developed countries have been extremely slow in correcting the imbalance. Moreover, a large number of developing countries have reported their dissatisfaction over the stringent rules imposed by the World Bank on infrastructure loans and the conditionalities that are associated with the IMF’s bail-out packages.

There is also a strong sense of hegemony and dominance in the way the World Bank and IMF operate. As mentioned, voting powers are grossly skewed in favour of developed countries. There is also the tradition that an American heads the World Bank while the IMF is headed by a European. This trend has remained unbroken since 1944. Also, the USA has a virtual veto in the IMF and World Bank, and the White House is bestowed with authority to appoint the bank’s president. The hegemony of a developed country is seen in some regional development banks too. The Asian Development Bank (ADB), for example, is dominated by the USA and Japan. In ADB, Japan’s voting share is more than twice that of China, and the bank’s president has always been a Japanese.

But the biggest problem with multilateral development banks (MDBs) has been their inability to provide adequate development finance to developing countries. The MDBs, like the World Bank and the ADB, were founded to address the imperfections in international capital markets and so that developing countries could borrow from MDBs temporarily until they become eligible and confident to borrow from the commercial sources (Clemens and Kremer 2016). However, most developing countries feel that the MDBs have not been able to address the growing need for funds. Private capital flows have also been volatile and risk-averse since the financial crisis of 2008.

Dissatisfied with the MDBs, the BRICS countries in 2014 established the New Development Bank (NDB). Each of the five BRICS members has contributed USD 10 billion to create an initial capital of USD 50 billion. The NDB is a major step in establishing a presence in the development finance area and is seen to be a move towards a developing-country alternative to global development finance.

5. A good discussion on this can be found in Clemens and Kremer (2016).
The NDB doesn’t intend to displace or compete with the existing MDBs, but it can play a very useful role in complementing them by raising additional capital relatively cost-effectively and lend them to potential borrowers at low interest rates with long maturities. Initially the focus of NDB will be on BRICS-country projects with developmental impacts. Later the borrowing can also be extended to other developing countries.6

It appears that some of the foreign exchange reserves of the BRICS countries, which are held in US treasury bonds, will be used to finance the NDB. According to the Press Information Bureau, Government of India, the NDB would make available additional resources by recycling the savings accumulated in emerging countries ‘which are presently being locked up in treasury bonds having much lower returns’ (Government of India 2015).

As already mentioned, one of the long-standing demands of BRICS has been a quota rebalancing at the IMF. The BRICS countries were grossly under-represented in the IMF in spite of their growing presence in the world economy. The IMF proposed changes in the quota allocation in 2010. But these changes were not implemented till 2016 due to foot-dragging by lawmakers in the USA. These reforms have now been implemented and this has doubled the IMF’s resources and rebalanced the quota. After the quota rebalancing, the shares are closer to the GDP shares of the respective countries, but the BRICS countries remain under-represented mainly because of the discrepancy of China’s share (Figure 5.2).

To reduce their dependence on the IMF, the BRICS countries have also created the CRA, which can be used to provide liquidity to member countries during balance

6. The motivation and objective of the NDB are clearly highlighted in the website of the bank as follows:

The New Development Bank starts with an objective of funding infrastructure projects in the developing countries and meet the aspirations of millions through sustainable development ...

Current financing and investment patterns are inadequate in meeting investment needs. Private international capital flows are not only volatile they are also insufficient in volume and maturity to fund sustainable development, which typically requires long-term investment. Multilateral Development Banks (MDBs) can play a pivotal role in meeting these requirements. While the annual resource commitment from MDBs has gone up ... it is still insufficient to meet the infrastructure development investment of over USD 1 trillion a year. There is therefore a need for MDBs to reinvent themselves and introduce innovative instruments. The New Development Bank vision is not restricted to funding infrastructure requirements but envisages building a knowledge sharing platform among the developing countries and promote sustainable development.

The New Development Bank is key milestone of the cooperation among emerging economies and developing countries. It is a testament of coming of age of these countries in the world of development finance (https://ndbbrics.org/).
of payment problems. The CRA is a USD 100 billion fund. While China has pledged USD 41 billion, Brazil, India and Russia have pledged USD 18 billion each. South Africa’s contribution will be USD 5 billion. The CRA is an attempt to challenge the hegemony of the IMF by a group of Southern economies (Desai and Vreeland 2014).

However, a closer look at the arrangement of the CRA indicates that it appears in fact to complement the existing liquidity provision system by the IMF.

The creation of a regional development finance bank with a contingency liquidity provision arrangement is not unprecedented among developing countries. The Latin American countries have created the Development Bank of Latin America (Corporacion Andina de Fomento or CAF), the Southeast Asian countries have the Chiang Mai Initiative, and China has spearheaded the formation of the Asian Infrastructure Investment Bank (AIIB), which aims to support infrastructure financing in the Asia–Pacific region. The AIIB has 57 members, including India. But the success of these arrangements varies widely. The NDB and CRA are new initiatives and they are yet to be tested. While the CRA will remain a BRICS-specific fund, the NDB funds can be used to promote developmental finance among other developing countries. This can be a potential instrument for further fostering South–South cooperation by the BRICS nations.

5.4 BRICS and South–South Trade

One of the major indicators of the increased influence of the BRICS countries in the global economy is their growing presence in international trade. The share of BRICS in global exports has increased from 7.46 per cent in 2000 to around 19.14 per cent in 2015. China is a dominant player in international trade and more than 70 per cent of exports by BRICS is by China. Russia and India contribute around 11 per cent and 8 per cent of the BRICS exports, respectively (Figures 5.3 and 5.4).

There have been many studies on the rise of developing countries in global trade and its possible contribution to South–South development. For example, Kaplinsky and Messner (2006) and Evans (2006) argue that the rise of ‘Asian drivers’ will boost South–South trade in several ways. It can develop regional value chains, involving coordinated production between different economies, which would result in greater regional integration. Secondly, the demand for inputs sourced from other low-income economies can be a major source of demand for commodity exporting countries. However, this study also points out that the increasing global competitiveness of
Figure 5.2. IMF Quota and Share of Country in Global GDP (average for 2010–15)

Source: IMF (2006)

Figure 5.3. Exports by BRICS Countries (USD bn)

Source: IMF (2006)

Figure 5.4. Composition of Exports by BRICS (2015)

Source: IMF (2006)
China is putting a downward pressure on the prices of manufactured goods globally and it is possible that the lower-income developing countries will be squeezed out of the market of final goods. There is also the possibility that, increasingly, businesses in developing countries would take control of the resources of the low-income countries. Other studies have also highlighted the possibility that businesses from the more advanced developing countries would expand their external operations either by foreign direct investment or non-equity mode (contract manufacturing) in areas like pharmaceuticals, telecommunications, software and finance. The implication of this can be two-fold. While on one hand, foreign investors from the larger developing countries can create backward and forward linkages in the home country, on the other hand, they may also displace domestic manufacturing.

Recent statistics seem to imply that both the trends are working, albeit in different regions. In some parts of Africa, it seems that higher integration with other developing countries is increasing their international trade but the trade composition does not indicate much improvement in their position in the value chain. Merchandise trade in Africa with BRICS doubled between 2007 and 2012 (UNEP 2014). However, most of the exports out of Africa are primary commodities. On the other hand, most of the imports by Africa from BRICS are in manufactured goods (73.8 per cent) and food products (14.6 per cent). Over the past decade, Africa’s trade has been reoriented towards the Southern partners (United Nations 2016). Brazil, China and India now account for a quarter of Africa’s total exports, up from a little over 10 per cent in 2005. However, it is also seen that the share of primary commodities in Africa’s exports has increased from 66 per cent in 2000 to 77 per cent in 2014–15. There are reasons to worry that Africa is getting trapped at the lower end of the value chain and many countries of Africa are further pushed to being primary commodity exporters. If BRICS is sincere about capacity building and sustained improvement in South–South trade, then it will be very important to help develop value-added manufacturing in backward African countries. Help with technology transfer, exploring green technology opportunities and the development of essential manufacturing ability, including assistance with issues related to intellectual property rights, can go a long way in helping Africa.

On the other hand, in the Asia–Pacific region, there are strong indicators of countries getting integrated in South–South trade and production networks. These countries are also moving up the value chain. In this region, South–South trade already accounts for 54 per cent of total merchandise exports and 53 per cent of total imports.
It has been further pointed out that coordinated trade promotion, enhancement of regional integration and infrastructure development are likely to increase intra-regional trade in Asia–Pacific even more (United Nations 2016). In this context, the initiative by BRICS to conduct an outreach summit with members of the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) is worth noting.7 BIMSTEC has members from both the South Asian region as well as the Association of Southeast Asian Nations (ASEAN) and it can create an organic bridge between the two regions with potentially enormous synergies. Given the already existing ecosystem in the Asia–Pacific region, BRICS is likely to find it easier to ‘support greater participation, value addition and upward mobility in Global Value Chains of our firms including through the preservation of policy space to promote industrial development’8 in the Asia–Pacific region.

However, it is to be noted that BRICS is not a trade bloc and in the BRICS meetings it has been repeatedly pointed out that BRICS believes multilateralism and the ‘centrality of the WTO [to be] the cornerstone of a rule-based, open, transparent, non-discriminatory and inclusive multilateral trading system with development at the core of its agenda’. Therefore, it is expected that while BRICS will recognize and promote better regional integration and South–South cooperation, the execution of trade integration will happen mostly through the WTO and multilateralism. As all the BRICS countries are part of the WTO G20 grouping (which is different from the G20 group mentioned previously), the BRICS forum can provide a useful platform for building cohesion among the group, which would help the G20 reach a consensus view. But in many instances during the ongoing Doha Round of trade talks, the BRICS countries are seen putting domestic priorities ahead of the interests of the G20. If BRICS wants to take a leadership role in South–South trade then a different approach may be required. As mentioned before, as BRICS is not a trade bloc no preferential trade relationship can be granted through the BRICS framework. However, trade supporting initiatives like trade facilitation, capacity building, cooperation in intellectual property rights (IPRs), promotion of trade through trade fairs and so on are possible under the BRICS banner.

7. ‘The meeting will be an opportunity to renew our friendship with BIMSTEC countries as well as to jointly explore possibilities of expanding trade and commercial ties, and investment cooperation between BRICS and BIMSTEC countries, while advancing our common goals of peace, development, democracy and prosperity.’ Goa Declaration at the Eighth BRICS summit, p. 2.

8. Ibid., p. 6.
One major worry regarding South–South trade comes from the global sluggishness and rebalancing of China’s economy. Presently, the BRICS countries are not doing well in terms of growth and international trade (Figure 5.3). Brazil and Russia are suffering from commodity price decline and their exports have declined significantly. India has remained a marginal player in international merchandise trade and its trade in services is mostly focused towards developed country markets. But the biggest shock to other developing countries has come from the Chinese economy. The Chinese economy decelerated to a growth of 6.6 per cent in 2016 and is expected to slow down further. This is the lowest level of growth experienced by China in nearly 25 years. Though China is still growing faster than most other countries, the slowdown may have far-reaching implications for the rest of the world. China’s phenomenal growth during the last few decades, the large size of its economy and its deep trade and financial linkages have all made it a major driver of global growth. China is the biggest export market for a large number of countries. For example, 88 per cent of Mongolia’s exports and more than 33 per cent of Australian exports go to China. Chile and Brazil depend on China for around 20 per cent of their total exports. A number of African commodity exporters are also highly dependent on China for their exports. While their large dependence on China has saved most of these countries from the adverse impacts of the financial crisis of 2008, the combination of slowdown in China and declining commodity prices has increased the vulnerability of these countries. The importance of China in the commodity market can be gauged from the fact that China absorbed more than one-third of global exports of ores and other minerals during 2010–14. It also has a fairly high import share in other product categories (Figure 5.5). The slowdown in China and its rapid import contraction have exacerbated the vulnerability of many countries. The growth prospects of these countries are likely to suffer as they may find it difficult to diversify to other export markets in the short

![Figure 5.5. Share of China in Global Export of Commodities (%)](image-url)

Source: Database on Merchandise Trade by Commodity (WTO 2015).
to medium term. The fact that other BRICS nations including Brazil (−3.3 percent projected growth rate in 2016), Russia (−0.8 percent projected growth rate in 2016) and South Africa (0.1 per cent projected growth rate in 2016) are also not growing means that the short term impact of BRICS on other Southern countries through international trade is likely to be muted.

5.5 BRICS and Investments in Other Developing Countries

Another potential area of cooperation is through increased investment in other poorer developing countries by the BRICS nations. South–South investment is growing rapidly. The estimated value of the annual South–South cooperation for development is USD 20 billion (United Nations 2016). Also, foreign direct investment (FDI) flows to the global South reached a peak of USD 741 billion in 2015 and the emerging economies generated a record 36 per cent of global investment outflows in 2014. And a significant part of this investment has gone to other Southern countries to facilitate and intensify South–South economic relationships. *Figure 5.6* shows the growth of outward FDI from the BRICS countries.

Major beneficiaries of this massive increase in South–South investment could be the developing and least developed countries of Africa, which are generally not endowed with sufficient investible capital. BRICS initiatives like the BRICS Multilateral Cooperation Agreement is aimed at coordinating cooperation, skills transfer and knowledge sharing among the BRICS nations and other developing countries. This agreement aims to provide support for projects and initiatives that promote investments in technological innovation, with emphasis on infrastructure.

![Figure 5.6. Outward FDI from BRICS (in USD bn)](image)

and sustainable energy, as well as innovations in processes and products in various areas of industry, services and agribusiness (UNEP 2014). The NDB can also be a very useful institution for providing development finance to projects with high social welfare quotient but for which borrowing from commercial sources would be more difficult. Poorer developing countries, especially countries from Africa, are in dire need of investment from all possible channels. Investments from South-based organization like BRICS are likely to be more useful for these countries.

Some studies (for example, Collier 2007) suggest that the ‘natural resource trap’ combined with poor governance and lack of political stability has led to a situation where adequate investments are not happening in most African countries. Even if a transnational corporation (TNC) from a developed country is willing to invest in these countries, it generally seeks overly generous terms and conditions. Because of this unequal bargaining power, negotiations between a TNC and a domestic government often lead to sub-optimal outcomes for the host country. For these countries, domestic resource mobilization is not also an immediate solution because in most African countries domestic savings rate is not very high. In fact, Sub-Saharan Africa has the lowest savings rate of any developing region. To make matters worse, investments in extractive industries are uneven with long gestation lag. This makes it difficult for these countries to generate their own investments in these sectors. Also, the technical ability and skills may not be locally available.

Against such a backdrop, the possibility of investments from other developing countries opens up new options for African countries. The Southern investors can potentially provide a broader range of capital, technology and management skills. Also, the technology used by Southern companies is likely to be more suited for developing countries. It is not surprising that the ‘Africa Foreign Investor Survey 2005’ (UNIDO 2005) found that Southern investors seem to create more employment than their Northern counterparts. However, the biggest advantage Southern investors provide the host country is in the form of better bargaining power to negotiate with potential investors. In the World Economic Forum Africa report (2007, p. 16), this has been highlighted very clearly.

_Africa’s global profile has been significantly enhanced by the keen interest taken in the continent, primarily in its raw materials, by China and India. The emerging South–South partnership has caused concern among the continent’s traditional trading partners in Europe and America, who_
have done business on the continent on their own terms, unchallenged, for many years. These relationships are under scrutiny in light of both the new South–South trading relations and of a new assertiveness by Africans themselves in setting their own development agenda.

As a blog post from the World Bank (Gonzalez et al. (2015) points out, some Southern countries (the reference was to China), rely heavily on state-owned enterprises (SOEs) and state-affiliated investors to engage in strategic economic activities in partner countries. While the authors highlight that the use of sovereign investment offers chances to promote economic upgrading and competitiveness, they have raised questions about transparency and possible anti-competitive practices of such investments. Some of these concerns may be valid and the BRICS framework can be used to screen investments from the member countries.

There are also allegations that Chinese and Indian investments in Africa are replicating the colonial pattern of economic exploitation. Businesses from China and India that are seeking resources are exporting raw materials out of the host countries in Africa to the home countries. As earlier discussed, African countries are importing manufactured goods in return. Thereby the African countries are losing out on the advantages of value addition and industrialization. The allegation is that such investments are not helping the cause of Africa and they are merely old wine in new bottles.

Though there may be some truth in these allegations, the advantages already discussed may outweigh the concerns. Also, it is important to point out that Chinese and Indian firms are also present in non-extractive sectors. In these sectors, more such firms are seeking to manufacture and export sophisticated components, such as those produced by the South African auto parts industry, to the global market. Broadman (2007) shows that in Africa trade flows and FDI are complementary activities, rather than substitutes.

It is also notable that there can be significant knowledge spillover from South–South investment flows. This may have significant long-term benefits for the industrialization process in other developing countries. It is highly possible that the maximum advantage to these countries will come from spillover benefits and knowledge transfer and it may turn out to be the most important aspect of South–South collaboration. It is notable that the BRICS Jaipur Declaration (p.2) seems to be focusing on this aspect as it calls upon
international financial institutions to support and facilitate financing for development on favourable terms for the developing and the least developed countries, and to help them gain easier access to new and affordable technologies for capacity-building, as envisaged under the UN Framework Convention on Climate Change and the Paris Agreement’ (Jaipur Declaration 2016, p. 2).

5.6 Conclusions

BRICS is a formidable group of large developing countries. It started life as a virtual portfolio of emerging markets, which were earmarked by an American bank to bring very high returns on investment for fund managers. Later the same acronym was used by the constituent countries to set up an alternative South-based platform to challenge the hegemony of the North.

BRICS has certain advantages. The five member countries are big developing countries and the group has representation from all the major developing regions of the world. Between them, Brazil, Russia, India, China, and South Africa can be thought to represent South America, South Asia, East Asia, and Africa. Moreover, all the member countries have huge presence and dominance in their own regions and can be thought of as regional behemoths. But apart from these similarities, these countries are at different levels of development and are very diverse in their economic structure and political orientation. They sometimes have conflicting strategic positions and in multilateral forums their views do not always converge.

Since its inception as a formal bloc eight years ago, BRICS has tried to emerge as a voice of the global South. Potentially BRICS has the ingredients to emerge as a leader of developing countries. As a group, BRICS contributes significantly to global trade, it has investible funds to promote industrialization and development in other developing countries and it has high knowledge base and technical expertise to transfer knowledge and know-how to other developing countries. Given the technical advances among its member countries, BRICS can be a provider of cheap, clean and green technologies to other developing countries in the years to come. BRICS can also be a source for essential items like cheap medicines and other crucial manufactures and services to these countries. However, if one looks at the tangible achievements of BRICS, the list looks less impressive.

One of the most important achievements of BRICS so far has been the establishment of the NDB and CRA. Together, the NDB and CRA can be seen as a
symbol of protest against the IMF–World Bank dominance in the global economic architecture. The NDB can play a crucial role in providing long-term concessional loans to developing countries, thereby making them less dependent on the multilateral development banks or private capital flows. This can be a major achievement of the BRICS framework. Other initiatives by BRICS have so far been mostly member-specific initiatives and the success of BRICS here has been more a sum of achievements of the individual members.

There are a few possible reasons why most of the promises of BRICS have so far remained unfulfilled. Since the inception of BRICS, the global economy has been going through a series of turmoils and almost all the BRICS member countries have suffered economic slowdown. This may have reduced the focus on global diplomacy and cooperation to a certain extent. Moreover, an important member of the BRICS group, Brazil, has gone through political transition and reports indicate that the new political establishment may have a different foreign policy orientation and may be less keen on the BRICS forum (Vieira and Menezes 2016).

Also, as the BRICS members are extremely diverse in their economic structure, domestic compulsions may not always allow complete cooperation in the international policy forums. For example, in WTO negotiations, India and other BRICS members have not shared the same platform on quite a few issues. It is also important to remember that BRICS is not a trade bloc and therefore no trade preferences can be provided through the BRICS framework. However, BRICS can help South–South trade through capacity building, trade facilitation measures and transfer of knowledge and technology. Finally, there are concerns that BRICS’s trade and investment policies may be harmful for some smaller and less developed Southern countries. It is sometimes alleged that the BRICS countries might absorb most of the foreign capital that flows to the developing countries, thereby, not allowing the smaller countries to take maximum advantage of the cross-border flows. Secondly, the BRICS countries may replicate the colonial pattern of trade and investment themselves and push other less developed countries further down the value chain.

Some of these allegations may be true, but the importance of BRICS remains quite high in the international economic scenario, particularly in the context of the present political backlash against globalization in many developed countries. In an era when large developed countries are adopting more protectionist and more nationalist policies, a global voice of the Southern states may prove to be a useful
counterweight. Also, as the world seems to be on its way to becoming fragmented into mega trade blocs, a South-based platform of large developing countries with big markets, large populations, investible funds, high level of technical knowledge and development finance banks may emerge as a more useful avenue for South–South economic cooperation in the years to come. Additionally, as Rodrik (2013) points out, given the developmental experience of its members, BRICS can provide leadership and guidance to other poorer developing countries to look beyond the neoliberal view of market fundamentalism and technocratic elitism. Through their success stories, the BRICS countries can become good advocates for developing institutional diversity and independent national policy with social inclusion.

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