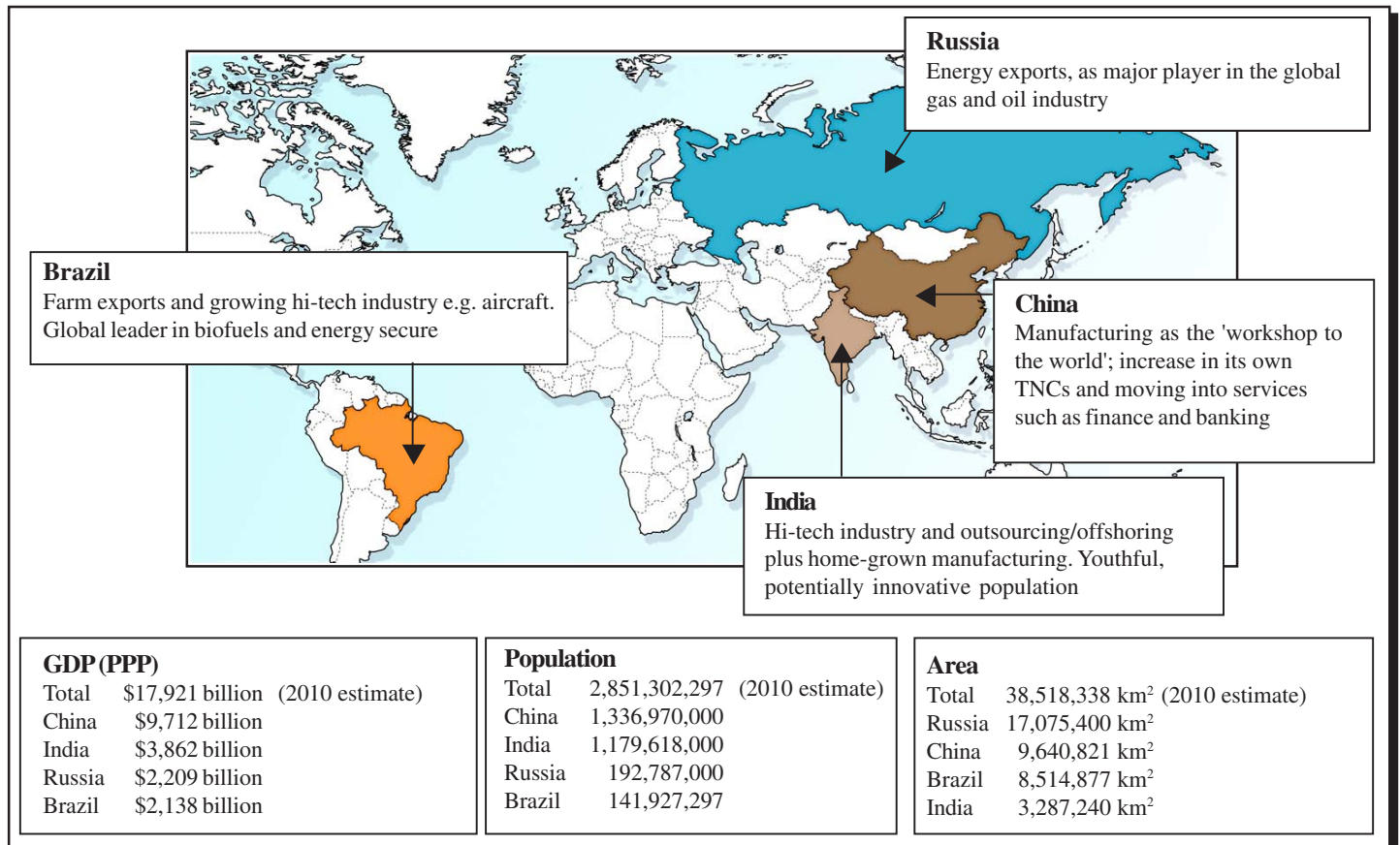




Here come the 'BRICs'

BRIC or 'the BRICs' is a grouping acronym for Brazil, Russia, India and China, first coined in 2001 by Jim O'Neill, Head of Global Economic Research at Goldman Sachs, a Wall Street Bank.

Figure 1 Introducing 'the BRICs'



Brazil, Russia (a former superpower of the bi-polar Cold War), India and China (emerging superpower) matter individually, but does it make sense for these huge countries which currently combined account for more than a quarter of the world land area and more than 40% of the World's population to form a global grouping which is not an economic bloc or formal trading association such as the EU? It is more an alliance by which they can convert their growing economic power into greater political clout as a counterweight to the Western dominance of the IMF, WTO and other global decision making bodies.

Figure 1 summarises some of the key characteristics of this rather disparate group. Nevertheless, as the statistics show, despite their divergent economic bases, many of the indicators show some similarities (see Figure 2).

Russia and Brazil are similar in terms of trade profile as both are major commodity exporters (including oil and minerals) whereas China and India require these resources in order to allow them to emerge as industrial giants exporting goods and services around the world, leading to many possibilities for quadrilateral trade.

Figure 2 The BRICS compared

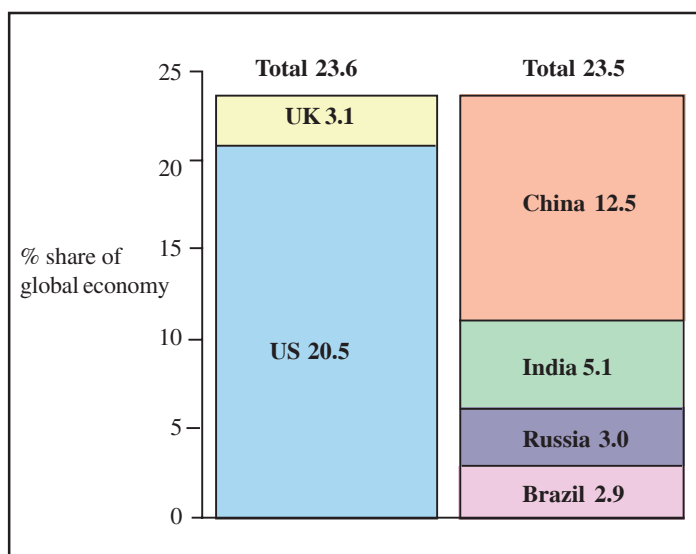
Categories	Brazil	Russia	India	China
Area	5th	1st	7th	3rd
Population	5th	9th	2nd	1st
Labour Force	5th	6th	2nd	1st
GDP (nominal)	8th	12th	11th	3rd
GDP (PPP)	9th	7th	4th	2nd
Human Development Index	75th	71st	134th	92nd
Foreign exchange reserves	7th	3rd	5th	1st
External debt	28th	24th	26th	23rd
Electricity consumption	9th	4th	5th	2nd
Number of mobile phones	5th	4th	2nd	1st
Number of internet users	5th	8th	4th	1st
Motor vehicle production	6th	19th	7th	1st
Military expenditures	12th	5th	10th	2nd
Road network	4th	8th	3rd	2nd

The four countries have individual reasons for wishing to create a new club of their own:

- **China's** leaders whilst hitherto adopting a low profile on the global political stage, see the multi-lateral facade of a BRIC forum as a safer means of promoting their growing world power, for example, at the Copenhagen Climate Change Conference in 2009.
- **Brazil** seen as Latin America's leading country, traditionally had regional power aspirations, but under former President Lula, began to aspire to influence events on the world stage, such as brokering peace treaties after complex wars. It will also host the 2016 Olympics.
- **India** has been profoundly disappointed by the results of traditional multi-lateral diplomacy. As the world's most numerically powerful democracy in a developing nation, India feels that it deserves greater recognition such as a permanent seat on the UN Security Council and sees the BRIC status as a means of gaining further global status.
- **Russia** had aspirations to re-emerge as a hydro-carbon based superpower, with strong links to Asia. The power of the new BRIC group might enable it to divert attention away from the collapsed links with many FSCs (former Soviet Countries) which used to be part of the Soviet Union. The winning of the Winter Olympic Bids 2012 and World Cup 2018 should reinforce this new status.

The Economic Power of the BRICs

Figure 3 Percentage share of global economy 2020 (PPP)



- The BRICs are the only developing world economies with annual GDPs of over \$1 trillion. They have the four largest economies in GDP terms outside the rich men's club of OECD (Organisation for Economic Cooperation and Development).
- With the possible exception of Russia, their economies have all sustained excellent growth rates of between 6-10% during the recent economic recession [2008-10] with an average predicted growth rate of 7% for the next 5 years.
- As Figure 3 shows, their combined economies in 2010 share a nearly similar percentage of the global economy as the USA and UK combined.

- With their rapid growth rates, the combined economies of the BRICs could eclipse the combined economies of the current richest countries of the world [G7] by as early as 2032.
- They are all in the top ten in terms of foreign currency reserves, accounting for 40% of the world's total. If the BRICs were to set aside just 1/6th of their reserves, the fund created would be equal to the IMF in size.

An acronym in search of a role?

The BRIC leaders met for their first official summit in June 2009 in Yekaterinburg, Russia. The key focus of the summit was related to how the four countries could work together to reform financial institutions. For instance, there was a suggestion that there was a need for a new global reserve currency that should be 'diversified, stable and predictable'. The second summit took place in Hainan, China in 2011. Here the key issue was the role of the US dollar as the global reserve currency. The BRICs therefore signed an agreement to grant each other loans in their National Currencies not dollars. Equally they pushed for an overhaul of the Special Drawing Rights account amenity currently derived from the dollar, euro, yen and sterling. If the Chinese yuan and the Russian rouble were to be included the SDR could ultimately replace the dollar.

Too loosely coupled – BRICs without straw

One criticism levelled against the BRICs chances of making fundamental changes to world geopolitics is that as a group they lack coherence and contrasting political systems (two are authoritarian, two are democratic) mean they have very diverse individual ambitions.

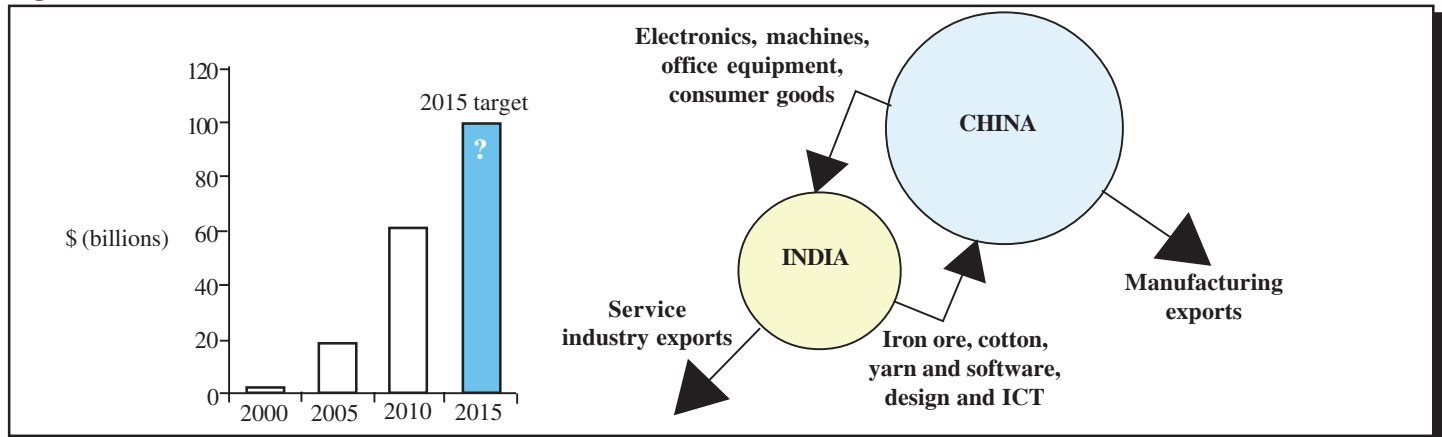
- Three of the countries are nuclear powers (Brazil is currently not).
- Two have seats on the UN Security Council (Brazil and India do not)
- They have very contrasting population trends and dividends with Russia very different from the rest.
- A further obstacle to coherence is the strategic rivalry between them. There have been joint military exercises bilaterally for example between Russia and China, Russia and India and even India and China who actually fought a war in 1962 over disputed borders and have been very suspicious of one another. For instance, China has supported Maoist rebels in Nepal and is financing huge post civil war construction in Sri Lanka (India's back door).
- The BRICs are also fierce rivals and competitors with each other in various developing countries and in particular, Brazil and China and more recently India, are competing for influence in many African countries with promises of FDI, cheap loans and aid. The continent of Africa, the world's second most populous continent, grew overall at one of the fastest rates in the world, albeit from a very low base – hence the heavy financial investment in infrastructure Africa needs for industrial take-off. The big advantage BRICs have over Western rivals is that many African leaders do not see them as neo-imperialists or neo-colonisers.
- There are also arguments that the BRIC grouping could be diminished in strength by individual failings within the four countries (see Figure 4).

Figure 4 Potential individual failings within the four BRICs

<ul style="list-style-type: none"> ● Brazil has been the land of the future for many generations and in the 1980s period experienced huge debt levels. ● Recovery has only been very recent with huge trade surpluses and liquidation of foreign debt. ● Only recently have growth rates been comparable to the other BRICs although PCI is the highest of all four as is the Freedom Index. 	<ul style="list-style-type: none"> ● China dominates the BRICs economically. ● Some critics claim that China large disregard of human rights and democracy could be a future problem. ● The possibility of conflict over Taiwan is very real. ● China is faced by an ageing population crisis ● There is a need to manage the huge CO₂ emissions from rapid industrialisation.
<ul style="list-style-type: none"> ● India has always had problems with Pakistan and Kashmir. ● India has huge numbers of people living in poverty [number one in the world] ● It has a dual economy ● It also has many infrastructural problems which limit progress as well as issues associated with the caste ● Seen by many as the superpower of the 2050s, there are many issues at present. 	<ul style="list-style-type: none"> ● Russia was a former superpower whose re-emergence is only made possible by oil and gas. ● Russia has a negative population dividend with a shrinking and ageing population. ● With the breakup of the Soviet Union many of the communist health and welfare systems collapsed leading to falling life expectancy and rising poverty.

However, as can be seen from the business of the BRIC summits, the four countries have a common interest in reforming the IMF and developing a radical approach to changing the existing world economic order. They are carrying out increasing quantities of trade between themselves for example between India and China (see Figure 5) where there is a trade target of \$200 billion a year by 2015.

Figure 5 Indian and Chinese Trade



There is also increasing trade between Russia and China, with the building of oil and gas pipelines from Russia to China.

It was in the thorny issue of mitigating the impacts of GHGs which are the main cause of climate change that a new alliance of Brazil, India, China and South Africa [BASICs] held such importance in the negotiations at the 2009 Copenhagen Conference as they had a common cause of ensuring that targets for cutting their high levels of emissions did not impact on economic growth.

So should other countries join the trillion dollar club?

Figure 6 BRIC layers

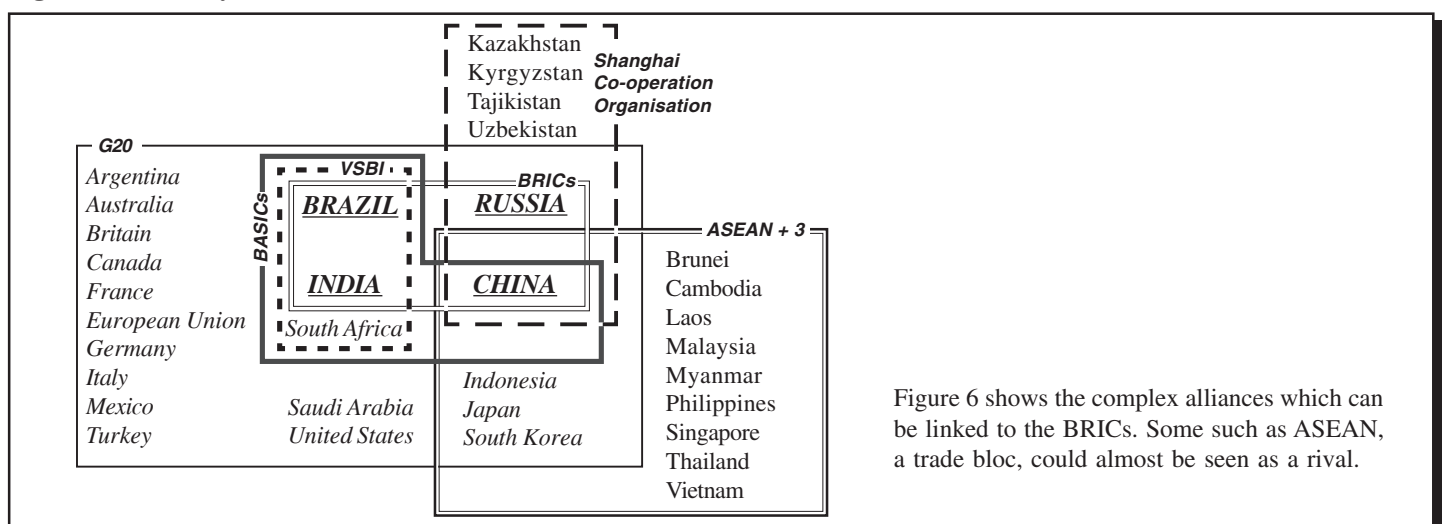


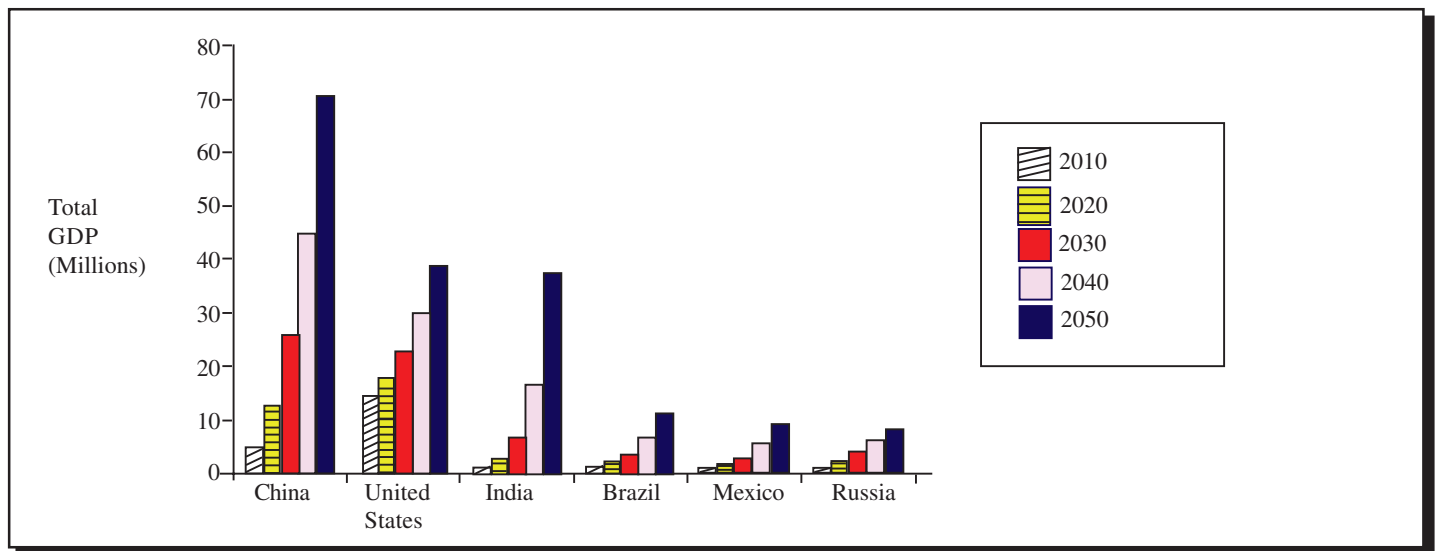
Figure 6 shows the complex alliances which can be linked to the BRICs. Some such as ASEAN, a trade bloc, could almost be seen as a rival.

Over the years a number of countries have been nominated as future BRIC group members, as in spite of the apparent lack of cement between what the Chinese call 'the four Golden Bricks' the name seems to have become widely used to be synonymous with emerging markets, high levels of economic growth and a desire to change the existing world economic order.

(a) BRIMC?

Mexico is estimated to have the potential to become one of the six most influential economies by 2050. (see Figure 7). Mexico has a rapidly advancing infrastructure, a burgeoning middle class and rapidly declining poverty with strong oil and mineral exports. It is expected to enjoy a higher GDP per capita by 2050 than all but three members of the EU. Clearly with so many parallels to Brazil it was perhaps very surprising that Mexico was not originally included, but of course it does have very strong links with the USA which may explain its original omission.

Figure 7 Predicted top six largest economies in 2050



(b) BRICK?

Although South Korea is now considered as a developed country, its economy has been growing at similar rates to Brazil and Mexico. It is estimated that by 2050 South Korea will have a GDP per capita virtually identical to the US should it ever become a united Korea and so solve the issue of North Korea. In many ways it is too developed to be considered an emerging market economy.

(c) Other possible additions?

The BRICs include South Africa (BRICSA) which was invited to represent the African continent at the recent BRICs conference in China. Here the issue is that it may be difficult for South Africa to actually gain sufficient momentum to achieve rapid growth largely because of its low labour participation rates and consistently high unemployment rates.

It has even been suggested that some oil-rich Arab nations (BRICA), and Indonesia (BRICI) and Turkey (BRICT), two very populous and potentially strong economies could also be future members of the club.

Conclusion

In spite of concerns over the coherence of the four members of the group the BRICs as a concept has become very widely used. Even with their differences the BRICs collective economic might will justifiably play an increasing role in the global economy. Could the BRICs give birth to CEMENT (Countries for Emerging Markets Excluded by New Technology) by championing the cause of developing countries?

Further Research

- Look out for further Geofact Sheets on Brazil (December 2011) and India (March 2012).
- Read key chapters in 'Superpower Geographies' C. Dunn Philip Allan
- Research www2.goldmansachs.com/ideas/brics for economic papers on the BRICS
- www.economist.com has several articles on the BRICs eg 17th April 2010
- www.BRIC.com for details of the BRIC economies.

Acknowledgements;

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