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The BRICS and the New International Order

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A group of emerging countries called the BRICS (Brazil, Russia, India, China, and South Africa) came into existence at the beginning of the 21st Century, when Goldman Sachs coined the name for them in 2002. Today, the BRICS signifies the dawn of a new era. It signifies a grouping that for the first time represents the new power behind five emerging nations in the world, that are rich in human and material resources, and have a rich history of civilization and culture.

The group also has a great growth potential, even though, at present, they may be termed as developing. The group is diverse, yet there is a kind of glue or "cement" that will bind them together in the future. Three of the members are resource-rich and sparsely populated, and two others are highly populated and some of the biggest consumer of resources.

They have set upon themselves an agenda which includes a quest for a new world order, in which they would play a very critical role, and this may bring an end of the unipolar world and the rise of a polycentric and multipolar world. The first BRIC meeting was at Yekaterinburg, Russia, on June 16, 2009, against the backdrop of the global financial crisis. South Africa joined in 2011.

The BRICS are and will be very important in the future, in terms of the share in world output, trade, population, investment, and incomes. Today, the BRICS represents 18% of world trade, accounts for 46% of the global population, and has a total GDP of $11 trillion. The countries represent 26% of the world's landmass.

As India's Prime Minister Narendra Modi said, "For the first time it brings together a group of nations on the parameter of 'future potential' rather than existing prosperity or shared identities. The very idea of the BRICS is thus forward-looking." Such a group is indeed a cause for worry for countries that have dominated the present international order, especially the twin Bretton Woods institutions [the IMF and World Bank—ed.].

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Jayshree Sengupta: "The BRICS signifies the dawn of a new era."

The BRICS nations seek to assume a leadership role in the global political and economic governance paradigm, and want greater equity for the developing world. They want to bring about significant reforms within institutions like the United National Security Council, the World Bank, and International Monetary Fund.

The Case of India and the BRICS

India, a country known for its ancient civilization and rich cultural heritage, is a member of the BRICS. Despite the fact that it has some of the most beautiful monuments of the world, and it is still populated by the finest craftsmen and weavers, it is today a developing country. In GDP terms, however, because of its huge population of nearly 1.3 billion, it is the third-highest economy in the world. India has a huge potential for growth if things go right, but if policies go wrong, there is bound to be chaos.

It has a young population, with 65% of the population below age 40, and a rising middle class that could amount to 350 million. It is still fighting abject poverty and deprivation, and has to create millions of jobs in the future.

After the exploitative and oppressive British colonial rule of 200 years, India won its independence in 1947. The leaders Mahatma Gandhi and Jawaharlal Nehru envisioned an India of self-rule and democratic values, non-violence, and greater harmony for humanity. They chose to go for self-reliance, and Nehru greatly favored the building of capital goods industry first, for rapid industrialization and economic growth. He launched India's first Five Year Plan in 1950.

Many things went wrong, however, in the first four decades after Independence, and India went through many crises of food shortages, slow growth, foreign-exchange problems, and wars with neighbors. It had to approach the IMF for a bailout in 1991, as the government became bankrupt and India's development path changed to one of market reform and liberalization.

Beginning in 1991, the liberalization of the Indian economy has led to many advantages but also disadvantages. Globalization had led to vast wealth creation for some, with 10 dollar-billionaires and 14,800 dollar-millionaires. It bred corruption and creation of a power elite which cornered privileges and assets for themselves. A large section of the population was left behind, bereft of assets and skills.

Thus there came to be two Indias, due to two decades of liberalization. One which is prosperous and living in a First World lifestyle, and the "other" India in which people are living without human dignity, and suffering multiple deprivations. Regional disparities have also led to disparate standards of living. Some states have more lawlessness and lack of governance than others. Values, especially patriarchy, and class, caste, and gender discrimination, have remained unchanged, even though the economy has been liberalized.

A key feature of liberalization—land acquisition for building real estate, factories, EPZs [Export Processing Zones]—has also been anti-poor, as they [the poor] have not been adequately compensated for land that has been taken over. Just as liberalization has brought immense wealth to some people, it has pauperized large sections of the population. A balance has to be reached through better governance and a dedicated leadership.

The informal or organized sector still absorbs 90% of India's 465-million-strong labor force. Globalization has led to the increased role of the private corporate sector, but it absorbs only 8% of the labor force. Similarly, the rapidly growing ITC sector absorbed only 2% of the labor force. India's problem ahead is job creation for 12.8 million youth entering the labor force every year.

The Indian leaders Jawaharlal Nehru and Mahatma Gandhi, who led the nation to Independence against the British Empire, "envisioned an India of self-rule and democratic values, non-violence, and greater harmony for humanity."

A change of government has taken place after ten years of neoliberal policies, and we have a common tea seller who has risen to be the prime minister, a man who is keen on making India great, but following its own development path and not the diktats of the WTO, EU, World Bank, and the IMF. He has already declined to open up the multi-brand $500 billion retail sector of India to multinational retailers like Walmart, Tesco, etc. This is because there are 40 million small retail traders whose livelihoods are threatened if the giant retailers gain a foothold in India. He has also refused to sign the TFA [Trade Facilitation Act][1] under the WTO because it would compromise India's stand on food security. The reforms under Narendra Modi hopefully will be different, and will help to empower the common person rather than the rich only.

In the years of neoliberal policies, there has been a

1. Author's note: India is forced to give indirect subsidies to its 80 million small farmers because they do not have bank accounts. Stockpiling of food for 1.2 billion people is absolutely necessary, but the WTO regards it with suspicion because it could cause price distortions in case India decides to sell the surplus in the markets. The total amount of subsidy is now running into more than 10% of the value of its food production, and exceeding the limit under WTO. Since the value of the food production has to be calculated at 1986 prices, India has rejected signing the TFA, in view of the high rate of food inflation in India today.

rape of India's mineral resources, and there has been exploitation of the tribal and indigenous people who lost their land to the land mafia. Disgruntled and impoverished, with no skills and assets, the tribal poor in one third of India's 600 districts took to armed struggle, which still remains as a major non-traditional security threat in the country. The mining sector, under the pressure of multinationals, has also been ridden with scams and corruption.

India needs infrastructure more than anything else for growth and prosperity. While western FDI [foreign direct investment] is clamoring to enter the Indian market to sell their consumer goods to its growing middle class, especially through a takeover of the retail trade, few infrastructure development companies are placing their bets on India's future. It is in this context that India would welcome the BRICS' New Development Bank (NDB), which will give loans for infrastructure to the developing world, without strings attached.

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"The agenda for the BRICS will be, first, to bring about change in the global financial architecture and reform of the global financial institutions." Here, the five BRICS leaders at their 6th Summit in Brazil, July 2014: Russian President Putin, Indian Prime Minister Modi, Brazilian President Rousseff, Chinese President Xi, and South African President Zuma.

The New Development Bank

There is much skepticism regarding the establishment of the New Development Bank, which was agreed upon in the BRICS summit in Fortaleza, Brazil recently. It is viewed as a competitor of the Asian Development Bank, and a challenger of the twin Bretton Woods institutions—the IMF/World Bank—which have dominated the international financial architecture in the post-World War II years.

The global development discourse unfortunately has been largely driven by institutions that were formed in the 20th Century, and do not reflect contemporary realities. For instance, the only development consensus today seems to be the Washington Consensus, which stresses maximizing the role of the market and minimizing the role of the governments in developing countries. Clearly in the 21st Century, this has not offered a panacea for global development deficits. The "one size fits all" development approach has not been successful, as is evident by the variable levels of progress of developing countries in meeting the MDGs [Millennium Development Goals].

The New Development Bank will be a viable alternative for the developing countries which are not getting a proper representation in the IMF/World Bank system. Reforms of the IMF quotas and voting rights have not been undertaken, as the bill for passing such reforms has been languishing in the U.S. Congress since 2010. The reform could have corrected the heavy weightage given to the industrialized countries in the IMF, and could have led to a better representation of the emerging countries. The BRICS comprise over one-fifth of the global economy, but together they wield 11% of votes in the IMF. China, whose economy is second only to the U.S. economy, has fewer votes than the Benelux countries.

With the exception of Russia, the BRICS is still a forum of developing countries, and the interest of the developing world matters to them, most especially, borrowings for infrastructure development. Hopefully when the Bank is in place, there will be fewer delays in credit availability, and there would be less conditionality. It will offer a protection to the member-countries against global liquidity pressures, and will include currency issues where members' national currencies are being adversely affected by global financial upheavals. For this purpose, it was decided in Brazil to create a Contingent Reserve Arrangement (CRA) of $100 billion.

There is fear in some quarters that China, with its high-contribution CRA, which is directly related to its having the highest foreign exchange reserves, would dominate the Bank. China will be contributing $41 billion; Russia, Brazil, and India, $18 billion each; and South Africa, $5 billion. But this may not be the case, despite the headquarters being in Shanghai. There is going to be a democratic approach to governance, and each member will get equal voting rights. Regarding the management of the Bank, the first president will be an Indian, the first chairman of board of governors will be a Russian, the first chairman of the board of directors will be a Brazilian, and the first regional center of the Bank will be in South Africa.

There are of course problems within the members of the BRICS, with China and India having a longstanding border issue that needs to be resolved. India and China went to war over it in 1962. There is also the need for revival of economic growth in all the member-countries, and it is increasingly important that they have a forum of their own, and a bank of their own, in which they have control.

The BRICS bank is not trying to replace the IMF/World Bank, but will play a complementary role which will cater to the needs of developing countries. Many smaller countries in South Asia and Africa may approach it for loans, and the terms could be easier than the big regional banks that have been functioning in the past. The New Development Bank will succeed if it follows a robust credit appraisal mechanism.

The Bank's membership will be open to other countries, but the BRICS' share cannot fall below 55%. In fact, when it starts functioning at full steam, the era of western countries' (G7) monopoly on setting the global agenda will be over, and the voice of the Global South will become prominent.

The BRICS, hopefully, with their own Bank, will have greater flexibility in crafting monetary policy and enhancing leverage in global markets. The BRICS can, with the help of the NDB, work together without being boxed in the rigid framework of the Washington Consensus.

There will be focus on capacity building under the NDB in the nations that take loans. It could support existing domestic capacities for project management and implementation, as well as new institutions which can facilitate the measurement of developmental impact of recipient countries. This could be done through special funding windows available with the NDB.

The MoU on cooperation between Export Credit Guarantee Agencies and the Inter-Bank Cooperation Agreement on Innovation will spur further cooperation among the BRICS.

Agenda for the BRICS

The BRICS agenda is bound to be complex if it wants to be a forum of might and global importance. It is working hard to identify new areas of convergence. It is time now not to conform to old templates and paradigms, because it is an age where groups will be theme-specific.

The agenda for the BRICS will be, first, to bring about change in the global financial architecture and reform the global financial institutions. The setting up of the NDB signifies that the emerging countries need their own financial system and to follow their own rules and voting rights, since the IMF reforms for voting rights have been languishing.

The second point in the agenda is to bring about intra-BRICS cooperation in food security, water stress, health care, inclusive growth, urbanization, education, trade, and investment. The members have different needs, and their levels of human development and infrastructure are different, and in many cases need massive improvement.

For example in health, the BRICS suffer from uneven development, and there is great need for cooperation. The BRICS' NDB can help in accessing resources to improve the functioning of the health sector, especially in India, Russia, and South Africa.

Collaboration in urbanization and health-care needs of almost half of the world's population represented by the BRICS are being worked out. Sharing of resources, technology, mutual research and development, coordination across key sectors such as IT, energy, and high-end manufacturing is also on the agenda for development of the five members. The BRICS are intending to share indigenous practices and experiences to learn and respond to the immense social economic challenges from within and outside their countries.

The BRICS have repeatedly stressed the reduction of inequalities and poverty. Measured by the Human

Development Index, most of the members lag behind developed countries. The BRICS have an average Gini coefficient[2] of 0.49, as compared to 0.31 in developed countries, and life expectancy is 68.1 years, whereas in developed countries it is 80 years. Also, in terms of mean years of schooling, the BRICS average is 8.14 years, and in developed countries, it is 13 years.

The weighted average of infrastructure investment in BRICS will need roughly 7% of the respective country GDP, which is much higher than the percentage required in developed countries. India will require 9.6% of its GDP in the next 5 years (**Figure 1**)

FIGURE 1
Infrastructure Indicators, Selected Countries

Country	Electricity	Fixed broadband internet subscribers (per 100 people)	Rail lines (route-km)	Roads paved (% of roads)	Quality of over infrastructure (rank)
Brazil	2,438	10.08	29,817	13.5	104
Russia	6,486	16.62	84,249	72.2	100
India	684	1.16	64,460	53.8	86
China	3,298	13.63	66,298	63.7	69
South Africa	4,604	3.06	20,500	17	60
Japan	7,848	28.84	20,140	80.4	13
U.S.	13,246	28.54	228,218	65.4	24
Germany	7,081	34.58	33,509	100.0	10

Source: World Development Indicators, World Economic Forum, CIA Factbook

Third, the agenda aims at increasing the use of currencies of the five members to facilitate intra-BRICS trade and a vibrant mechanism for greater cooperation among the stock exchanges of the five countries.

Fourth, the agenda includes larger global political issues, no use of "threat of force" in international relations, the importance of a multilateral approach in addressing global issues, and the recognition of the G20 as the premier institution for dealing with global economic and financial matters. It seeks to establish a roadmap for a multipolar world. It seeks a leadership role in the global political and economic governance paradigm, and seeks greater equity for the developing world.

It wants to further market integration and to ensure that the five members become less dependent on cyclical trends in the global economy and the ups and downs in the value of the dollar due to U.S. monetary policy changes.

The emergence of the BRICS reflects the 20th-Century Third World movement and the rise of the South-South solidarity movement. South-South trade amounts to $2.2 trillion and exceeds North-South trade. The BRICS' NDB carries the promise of becoming a major source of capital for the developing world, which is in dire need of infrastructure development. India and Brazil especially need both physical and social infrastructure improvement that will require trillions of dollars.

The BRICS also intend to intensify their cooperation in tackling terrorism, cyber-security, and climate change.

The BRICS are home to some of the world's most valuable regions of bio-diversity. They would proactively work to protect these areas and promote sustainable development and preserve the ecological base within each of the BRICS countries. They would also cooperate in preventing climate change conflicts that some of the BRICS are prone to, in the form of migration of people living in coastal or flood-prone areas.

Indian Prime Minister Modi has said that the BRICS should champion sub-national-level exchanges, and champion engagement among BRICS states, cities, and other local bodies. He has insisted that the BRICS should be driven by people-to-people contact, and that the youth should take a lead in this.

The BRICS are growing in strength, and will be an important challenger of the old world order which came into existence in the post-World War II era, and which needs to be amended in view of the realities of the 21st Century and the need for a multipolar world.

The BRICS is bound to expand, and the countries waiting to join the BRICS are Turkey, Indonesia, and Mexico. Other smaller countries may also seek membership as the path of the BRICS becomes clear and established.

2. The Gini coefficient measures income or wealth inequality; it was developed by the Italian statistician Corrado Gini, and published in his 1912 paper "Variability and Mutability"—ed.