Working Paper 3

The BRICS phenomenon: from regional economic leaders to global political players

Laurence Piper

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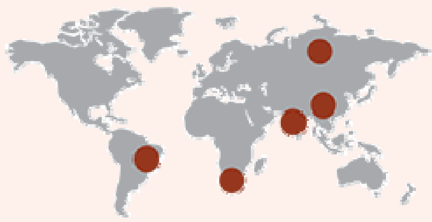

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Abstract

This working paper surveys various debates around the emergence of the BRICS as economic and political players on the global stage in the last 15 years. In economic terms the paper traverses accounts of the future dominance of the BRICS of the global economy in GDP and growth terms; including the question whether there is more to the BRICS than the rise of China; whether other conceptions of emerging markets might be more useful; and what kind of shifts in the spatial patterns of extraction, production and consumption of global capitalism are signaled by the rise of the BRICS. In political terms the BRICS have breathed life into their conception by Goldman Sachs as an investment meme, meeting regularly since 2009 to construct an alternative form of global economic governance to the traditional centres of the west. Most profoundly manifest in new economic institutions that rival the IMF and World Bank, the BRICS also share a conception of development that is more partnership-orientated than donor-recipient focused in process, and more infrastructure and energy orientated than the social and governance focused in substance. Lastly, the rise of the BRICS as economic and political players on the global stage raises questions about the extent to which they advance neo-liberal capitalism by serving as sub-imperialists in the regions, or offer more state-centric models of capitalist growth that open up the possibility of more inclusive development paths. A related debate is whether the rise of the BRICS is good for their regions or just the leading states of those regions. Lastly, the emerging shifts in global capitalism and economic governance signaled by the rise of the BRICS suggests we are the beginning of the end of the utility of the North-South distinction as differences with countries come to be as important as differences across countries.

Introduction

BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China, and South Africa. The grouping was originally known as 'BRIC' before the inclusion of South Africa in 2010. The BRICS members are all developing or newly industrialised countries, but are distinguished (at least the original four) by their large, fast-growing economies and, more recently, by their significant influence on regional and global affairs. All five are members of the G20 (the 20 economies considered central to the international financial system due to size, population or geographical location). The term BRIC was coined by Goldman Sachs analyst Jim O'Neill in 2001, when he argued that that the size and rate of growth of these four economies meant that they would come to dominate the world economy by 2050. Notably, invented as an investment meme, the claims about the economic size of the BRICS countries should not be confused with claims about their levels of human development.

In what follows this paper offers an overview of the key debates in respect of the economic, political and development significance of the rise of the BRICS. Economically, the BRICs idea gained great momentum such that by 2004 Goldman Sachs has reduced the time frame of BRIC global dominance from 2050 to around 2030. These predictions were seemingly confirmed by the resilience of the BRIC economies after the 2008 global economic crash. In the last few years, however, the resurgence of the US's economy and the slowing of those of most of the BRICS have stretched the time frame out again. In addition, real questions have been raised about whether the growth potential of the BRICS really extends much beyond China and India.

A key reason why the BRICS make economic sense, even including South Africa, is their shared stature as regional economic leaders, although not a criterion in O'Neill's initial account. Nevertheless, invented as an investment meme, the BRICS have attracted significant foreign direct investment since 2001, and in turn grown as investors in their regions. Trade too has increased in scale although not changed in nature. Debates ensues on BRICS are good for growth and development more widely in their regions or not, with some holding that it depends on the nature of regional economic relations. What does seem clear however is that global investment and trade have enhanced the regional economic importance of all the BRICS.

This regional importance of the BRICS is confirmed politically too. Indeed, this was the main reason South Africa was included in the group. Thus although primarily focused on issues of economic development, the BRICS have also come to embrace a consciously political role, especially as regards the institutions and practices of the international political economy. More specifically, the BRICS have been critical of US-EU dominance of global economic governance, especially in relation to the volatility of the dollar and the perceived bias of the Bretton Woods institutions, the IMF and World Bank in favour of the old hubs of capital in the US and Europe.

Although initial calls to come up with a replacement for the US dollar as the *de facto* global currency have been shelved, the BRICS have begun the processes of institutionalising a new development bank as an alternative to the World Bank. Notably, the political role of the BRICS has extended into mainstream international relations, mostly driven by antipathy to US political dominance. Outside of affirming forms of multilateralism, it seems unlikely that the BRICS will be able to act collectively on international relations issues however, given their diverse interests, political systems and historical conflicts.

In addition to an aversion to western, especially US, dominance of international economic governance, the BRICS are also advocating an approach to development that is much more focused on infrastructure development and supporting the core productive sectors of the economies, as opposed to the emphasis on social services adopted of many western donors. There is also clear resentment at the paternalism implicit in the conditionalities of much western aid. It is too soon, however, to know how a new development bank would manage lending in a less prescriptive way, especially as regards political conditionalities.

Lastly, while all agree that the rise of the BRICS is the beginning of the end for western dominance, and the 'north-south' distinction, there is vigorous debate about whether the rise of the BRICS constitutes a substantial alternative to the dominant neo-liberal model of economic development. Argument runs on a continuum from those who feel the rise of the BRICS signals that more choice in development paths is now available, through to those who feel that the BRICS will merely consolidate neo-liberalism by acting as 'sub-imperialists' within their respective regions. Perhaps the one conclusion we can draw from the survey of economic and political debates is that the invention of the BRICS has not only affirmed these countries as global players but also further entrenched them as regional leaders.

1 A Short History

1980s – 1990s

Although the term 'BRIC' was coined by O'Neill in 2001, Van Agtmael (2012) argues that the idea of re-branding emerging economies of the global south extends back to the 1980s. He states that that when he was with the World Bank's International Finance Corp (IFC) in the early 1980s, 'we were identifying the opportunity to rebrand these countries, which, despite their enormous economic potential, were still lumped together with the world's perennial basket cases as 'underdeveloped countries' stuck in the 'Third World.'

In this regard, refer to a purported 'original' BRIC agreement from the late 1990s that predates the O'Neill/Goldman Sachs thesis. Wikipedia states that 'some even suggest that President Putin of Russia was the driving force behind the BRIC idea', but no evidence is offered to back up this claim (http://en.wikipedia.org/wiki/BRIC)

2000s

It is indisputably O'Neill's 2001 paper for Goldman Sachs that put the idea of the BRICs on the global investment agenda. Arguing the case that the size of the BRIC economies had been under-estimated in purchasing power parity terms, and that these countries were likely to dominate global economic growth into the future, O'Neill advocated for the reform of the G7 to include Brazil, Russia, India and China. A follow-up Goldman Sachs paper by Wilson and Purushothaman (2003) was much more dramatic in its framing, predicting that China and India would become the first and third largest economies by 2050, with Brazil and Russia capturing the fifth and sixth spots. It added that,

> …in less than 40 years, the BRICs economies together could be larger than the G6 in US dollar terms. By 2025 they could account for over half the size of the G6. Of the current G6, only the US and Japan may be among the six largest economies in US dollar terms in 2050 (*Ibid*: 1).

While it is unclear to what extent the idea of the BRICs predated their political reality, we do know that as early as September 2006 the foreign ministers of the initial four BRIC states (Brazil, Russia, India, and China) met in New York City to begin a series of high-level meetings. O'Neill responded by urging Western leaders to 'accelerate bringing them into the G8 club and the IMF because the world doesn't want a separate club just looking after the growing countries the same as it doesn't need an old club looking after the declining -- it needs a better club involving them both' (Faulconbridge 2008).

The global recession of 2008/9 was good for the BRICS. Not only did the BRICs prove more resilient that the US and Europe and sustain global growth during this period, leading O'Neill to bring forward his estimate of the BRICs outstripping the G& from 2035 to 2037[1], but they were spurred on to act politically by their vulnerability to US monetary policy given their dependency on the dollar.

Thus, on June 16, 2009, the leaders of the BRIC countries held their first summit in Yekaterinburg with Luiz Inácio Lula da Silva, Dmitry Medvedev, Manmohan Singh, and Hu Jintao, the respective leaders of Brazil, Russia, India and China, all attending. The summit focussed on improving the global economic situation and reforming institutions in ways that better incorporated the developing world. The summit issued a declaration calling for the establishment of an equitable, democratic and multipolar world order. Since then the grouping has held annual summits since 2009, with member countries taking turns to host (see annexure 1 for details).

In the aftermath of their Yekaterinburg summit, the BRIC nations announced the need for a new global reserve currency, which would have to be 'diversified, stable and predictable'[2]. Although the statement that was released did not directly criticise the perceived 'dominance' of the US dollar – something that Russia had criticised in the past – it did spark a fall in the value of the dollar against other major currencies.

2010s

The emergence of the BRICS as a political grouping was confirmed by the admission of South Africa as a member in 2010. The group was renamed BRICS – with the 'S' standing for South Africa. In April 2011, the President of South Africa, Jacob Zuma, attended the 2011 BRICS summit in Sanya, China, as a full member. Jim O'Neill expressed surprise when South Africa joined BRIC since South Africa's economy is only a quarter of the size of Russia's (the least economically powerful BRIC nation), with a GDP at 31 on the world list.

However, two considerations may have influenced the decision. First, in economic terms South Africa is a 'gateway' to Southern Africa and Africa in general as the most developed African country, and Africa's combined current gross domestic product is reasonably similar to that of Brazil and Russia, and slightly above that of India. While this economic potential may have been a consideration, it is likely that political reasons were more important: African credentials are important geopolitically, giving BRICS a four-continent breadth, influence as well as trade opportunities.

That this politics was beginning to have some purchase was reflected in the 2010 IMF voting reform that increased the vote share of developing countries, albeit by a relatively modest 6%. In 2011, the BRICS Forum, an independent international organisation encouraging commercial, political and cultural cooperation between the BRICS nations, was formed. Then in June 2012, the BRICS nations pledged $75 billion to boost the lending power of the International Monetary Fund (IMF) to assist European Banks. However, this loan was conditional on further IMF voting reforms. According to Bond (2013a: 265) the reform was not uniformly good for the developing world as the '…result of this BRICS intervention was that China gained dramatically more IMF voting power, while Africa actually lost a substantial fraction of its share.'

In late March 2013, during the fifth BRICS summit in Durban, South Africa, the member countries agreed to create a global financial institution that would rival the western-dominated IMF and World Bank. Then, at the BRICS leaders meeting in St. Petersburg in September 2013, the idea of a $100 billion fund designated to steady currency markets was mooted, with China committing $41 billion towards the pool; Brazil, India and Russia $18 billion each; and South Africa $5 billion.

In March 2014, at a meeting on the margins of the Nuclear Security Summit in The Hague, the BRICS Foreign Ministers issued a communiqué in response to the statement of Australian Foreign Minister Julie Bishop, who had said earlier that Putin might be barred from attending the G20 Summit in Brisbane in light

[1] http://www.newsweek.com/jim-oneill-says-recession-will-buoy-brics-75947

[2] http://www.euronews.com/2009/06/16/bric-wants-more-influence/

of the tensions surrounding the 2014 Crimean crisis. The communiqué 'noted with concern, the recent media statement on the forthcoming G20 Summit to be held in Brisbane in November 2014. The custodianship of the G20 belongs to all Member States equally and no one Member State can unilaterally determine its nature and character.'

At the Fortaleza meeting in July 2014 in Brazil, the BRICS signed the long-anticipated document to create the US$100 billion BRICS Development Bank and a reserve currency pool worth over another US$100 billion. Agreements on cooperation between BRICS export credit agencies and in relation to innovation were also signed. 'The international monetary system itself depends a lot on the U.S. dollar, or, to be precise, on the monetary and financial policy of the U.S. authorities. The BRICS countries want to change this,' Putin said in an interview with Russian news agency ITAR-TASS (Westcott 2014).

Notably, at the end of October 2014, Brazil trimmed down its US government holdings to US$261.7 billion; India, US$77.5 billion; China, US$1.25 trillion; South Africa, US$10.3 billion. This can be seen as a move to reduce dependence on the US economy.

2 Economic Dynamics

2.1 Size of economies[3]

In 2001, when O'Neill's paper was published, the BRICs (Brazil, Russia, India and China), comprised about 8% of global GDP, although O'Neill revised this to 23.3% on a purchasing parity basis[4]. By 2014, the BRICS, including South Africa, generated about 20% of global GDP on the conventional absolute measure. So in just over 10 years their collective share of the global economy has more than doubled.

Furthermore, as Van Agtmael (2012: 1) points out the, the BRICS are 'large' in other ways. Together they have 40 percent of the world's population, 25 percent of the world's landmass, and control some 43 percent of global foreign exchange reserves. Importantly he notes, 'their share keeps rising'. Based on a March 2011 Forbes report, the BRIC countries counted 301 billionaires among their combined populations, exceeding the number of billionaires in Europe, which stood at 300 in 2011.

By 2010 the most striking sign of the BRICs' significance to the world economy, though, is probably their share of foreign-exchange reserves. All four, excluding South Africa, are among the ten largest accumulators of such reserves, accounting for 40% of the world's total. China is easily the largest, with an enormous $2.4 trillion of foreign exchange reserves, enough to buy two-thirds of all NASDAQ-quoted companies. It is the world's second-largest net creditor after Japan (the net credit position takes account of equities as well as debt). Russia's foreign-exchange reserves were virtually zero when it began market reform in 1992, now they stand at $420 billion. If the BRICs were to set aside one-sixth of their reserves, they could create a fund the size of the IMF[5].

Internally however, there are significant differences within the BRICS, especially when it comes to South Africa (see Tables 1 and 2 and Figures 1 and 2 below). Thus, in terms of economic size, South Africa is only 20% of the size of the next largest economy, Russia, and contributes just 2.23% of the GDP of all the BRICS. In population terms it is even smaller, with just 50 million people, or 1.75% of the total population of the BRICS.

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[3] All the data before 2010 excludes South Africa, the year the country joined the BRICS, and after 2010 will include South Africa only when specifically mentioned.

[4] Based on the idea that the same basket of goods should have the same price across two countries were they in the same currency, purchasing power parity allows for the comparison of economic value despite variations in currency exchange rates.

[5] 'The BRICs: The Trillion-Dollar Club', The Economist, 15 April 2010 http://www.economist.com/node/15912964. Accessed on 6 January 2015

Conversely, China is very large in economic terms; indeed, its GDP is larger than the rest of the group combined, constituting 58% of the BRICS total. In population terms it stands out less as it matched by India, and China and India in combination dwarf the other three. In late 2010, China surpassed Japan's GDP for the first time, with China's GDP standing at $5.88 trillion compared to Japan's $5.47 trillion; China thus became the world's second-largest economy after the United States.

For the year 2013, the value of China’s trade with the rest of the world surpassed $4 trillion for the first time, and it thus became the world's largest trading country, consisting of exports of $2.21 trillion and imports of $1.95 trillion Even more remarkably, China is easily the largest holder of reserves of foreign currency, with a staggering $2.4 trillion, and is the world's second-largest net creditor after Japan. Indeed, China’s exports and official foreign-exchange reserves are more than twice as large as those of the other BRICs combined. This dominance has led investors to question whether there is more to the BRICS than China[6] or perhaps China and India especially in the last year[7].

Table 1 BRICS Economic Indicators

Country	**GDP (nominal)**	**HFCE (2009)**	**Government spending**	**Exports**	**Imports**	**GDP per capita (PPP)**
Brazil	$2,242.8 bn	$1,266.3 bn	$846.6 bn	$256.0 bn	$238.8 bn	$15,034
Russia	$2,118.0 bn	$671.6 bn	$414.0 bn	$542.5 bn	$358.1 bn	$24,120
India	$1,870.6 bn	$737.9 bn	$281.0 bn	$309.1 bn	$500.3 bn	$5,410
China	$9,181.4 bn	$1,835.3 bn	$2,031.0 bn	$2,021.0 bn	$1,780.0 bn	$11,904
South Africa	$350.8 bn	$173.8 bn	$95.27 bn	$101.2 bn	$106.8 bn	$12,504

Source: International Monetary Fund, April 2013.
http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weorept.aspx?pr.x=69&pr.y=17&sy=2014&ey=2014&scsm=1&ssd=1&sort=country&ds=.&br=1&c=223%2C924%2C922%2C199%2C534&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC&grp=0&a=

[6] http://www.newsweek.com/jim-oneill-says-recession-will-buoy-brics-75947
[7] http://business.time.com/2007/07/12/is_it_really_brics_or_just_ics

Figure 1 The Gross Domestic Product of BRICS countries

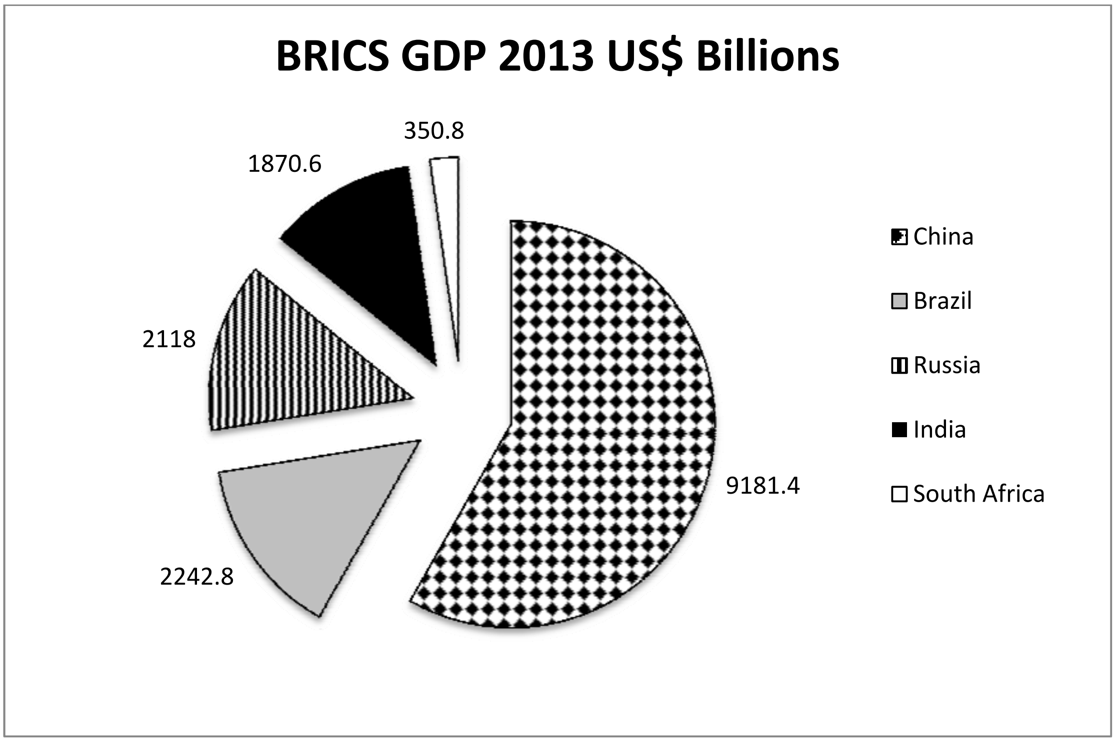
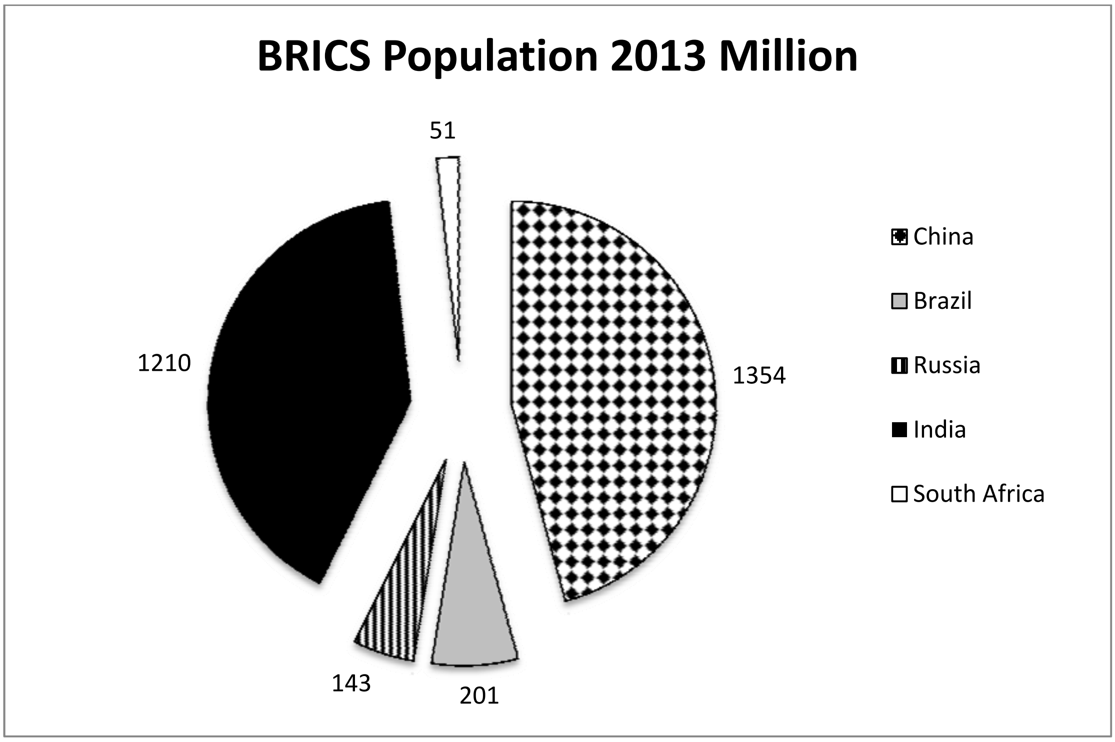


Table 2 BRICS Developmental Indicators

Country	Population	Literacy rate	Life expectancy	HDI
Brazil	201,046,886	93.5%	76.2	.744 (high)
Russia	143,451,702	99.6%	70.5	.778 (high)
India	1,210,193,422	74.04%	65	.586 (medium)
China	1,354,040,000	95.1%	76	.719 (high)
South Africa	51,770,560	93%	61	.658 (medium)

Source: International Monetary Fund, April 2013. http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weorept.aspx?pr.x=69&pr.y=17&sy=2014&ey=2014&scsm=1&ssd=1&sort=country&ds=.&br=1&c=223%2C924%2C922%2C199%2C534&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC&grp=0&a=

Figure 2 The population of BRICS countries



2.2 *Growth trajectories*

As noted above, interest in the BRICS is not focussed on only the size of their economies, but also on their growth potential. As confirmed by Figure 3 below, BRIC growth rates have largely met the promise identified in them in 2001, notwithstanding the recession of 2008/9. However, of late it is appears that the BRICs may have hit a wall in 2014 – with the partial exception of India and China. As Cameron (2011: 2) points out 'China's share in world output at purchasing power parity rose from 8 per cent in 1980 to 19 per cent in 2009. China's share of BRIC output is now around 61 per cent – up from 42 per cent in 1990. Neither Brazil nor Russia achieved a significant rise in their share of world GDP over the past two decades. Even India's rise was modest – up from 4 per cent in 1990 to 6 per cent in 2009. The story, then, has been of the rise of the two Asian giants and especially of China'.

In 2013 Jim O'Neill remarked that were he to do it all over again, the acronym would not have been one at all, but rather just 'C' for China (Khanna 2014). In this regard, David Rothkopf writes:

> Without China, the BRICs are just the BRI, a bland, soft cheese that is primarily known for the whine [sic] that goes with it. China is the muscle of the group and the Chinese know it. They have effective veto power over any BRIC initiatives because without them, who cares really? [8] (Quoted in TIME 16 April 2010)

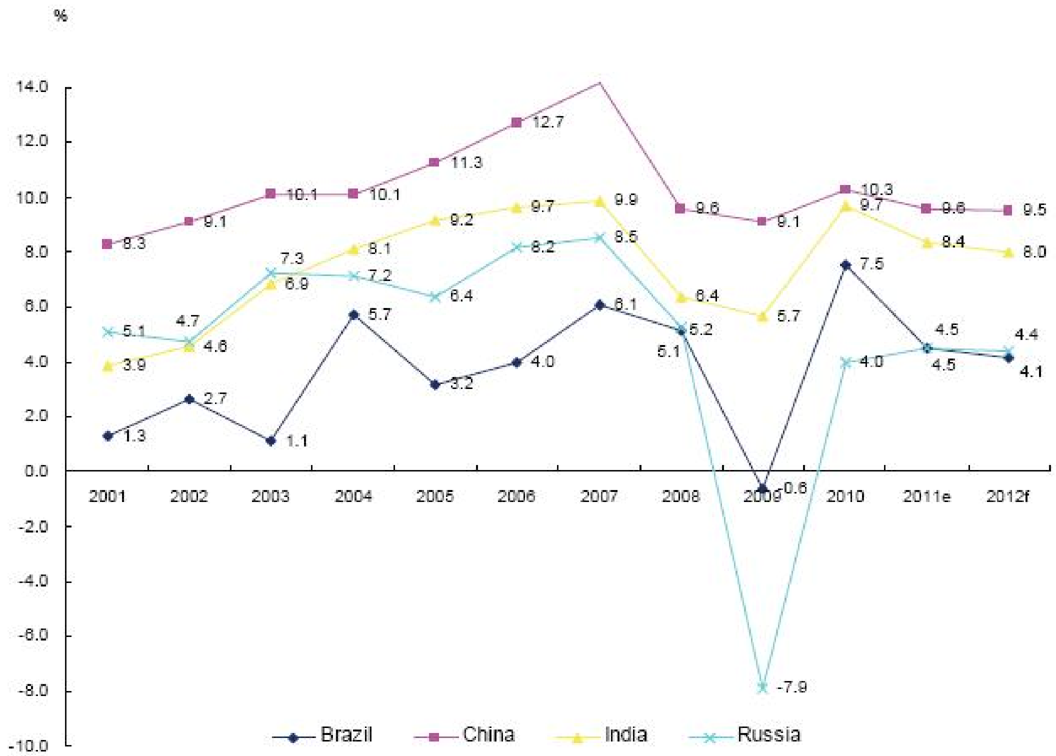
Russia, Brazil, South Africa and many other emerging markets have not only been growing more slowly, but they are not even doing as well as the US, and many investors have now returned to the traditional strongholds of the US and Europe. For Schuman (2014a), the key reason for this slow growth is the failure to further liberalise their economies, a point that Foroohar (2014) repeats. However, as Van Agtmael (2012)

[8] http://business.time.com/2010/04/16/the-brics-plotting-a-new-world-order/

argues, there is no one set of reasons for this. Each of the BRIC economies is very different, and requires different growth strategies.

Despite the doubt, Van Agtmael (2012: 9) concludes, 'the BRICS will remain the main source of growth in tomorrow's world, as they already are today. Together they will dominate the global economy later this century the way Europe and the United States once did.' Perhaps just as important is De Castro's (2013: 132) claim that the BRICS have already changed the world economy through 'the reallocation of global economic activities, especially global consumption to emerging and developing countries, and hence import/export destination shifts'. This is a development of Arrighi et al's (2003) observation some ten years before that emerging industrialisation has changed the global economy, destroying the utility of the concept of the third world.

Figure 3 BRIC Growth Rates, 2001-2012



Source: http://economists-pick-research.hktdc.com/business-news/article/Economic-Forum/Brazil-A-Latin-American-star-player/ef/en/1/1X000000/1X07FWXF.htm

2.3 Structure of economies

A common criticism of the BRICS notion is that it is nothing more than a neat acronym for the four largest emerging market economies (and South Africa), but in economic and political terms little else links the four (Beech 2011). In economic terms, two are manufacturing-based economies and big importers of natural resources (China and India), but two are huge exporters of natural resources (Brazil and Russia). In political terms, Brazil and India are 'noisy' but real democracies, China is authoritarian and Russia somewhat ambivalently in-between. (The political differences we will discuss later, here we focus on the economic).

The Goldman Sachs/O'Neill BRIC thesis recognizes that Brazil, Russia, India and China have changed their political systems to embrace global capitalism. In this framing, it is argued that China and India, respectively, will become the dominant global suppliers of manufactured goods and services, while Brazil and Russia will become similarly dominant as suppliers of natural resources. Of the four countries, Brazil remains the only polity that has the capacity to combine all these elements simultaneously, i.e. manufacturing, services and natural resource supply. Cooperation amongst members of the grouping is thus hypothesized to be a logical next step among the BRICs because Brazil and Russia together form the obvious source of natural resources.

However, it is far from clear that such co-operation will emerge exclusively with each other, as opposed to participating in the international trade system at large or perhaps within a regional system, or some combination of both. As Watson *et al* (2013: 1) note ‘whilst China is the largest trading partner of most of the BRICS, the others trade relatively little with each other.’ Indeed as argued by Chen and De Lombaerde (2014), the global status of BRICS has helped elevate these countries as regional economic powers, albeit it in different ways, and sometimes at the expense of their neighbours.

There is also the issue of population growth. The population of Russia declined rapidly in the 1990s, and only recently did the government predict that the population will stabilize and begin to grow by 2020. Brazil's and China's populations will begin to decline in several decades time, with the proportion of the population of working age beginning to decline as well. This may have implications for those countries' futures, for there might be a decrease in the size of the overall labour force and a negative change in the proportion of workers to retirees.

Brazil: According to The National Institute of Economic and Social Research (NIESR) based on International Monetary Fund figures, in 2012 Brazil has become the sixth-biggest economy in the world by overtaking UK with $2.52 trillion and $2.48 trillion, respectively. In 2010, the Brazilian economy was worth $2.09 trillion and UK with $2.25 trillion. Significant increase is caused by Brazilian economic boom on high food and oil prices.

Brazil's economic potential has been anticipated for decades, but it had until recently consistently failed to achieve investor expectations. Only in recent years has the country established a framework of political, economic, and social policies that allowed it to resume consistent growth. The result has been solid and paced economic development that rival its early 70's ‘miracle years’, as reflected in its expanding capital markets, lowest unemployment rates in decades, and consistent international trade surpluses—that led to the accumulation of reserves and liquidation of foreign debt (earning the country a coveted investment grade by the S&P and Fitch Ratings in 2008).

The Economist, in its special report on Brazil, expressed the following view: ‘In some ways Brazil is the steadiest of the BRICs. Unlike China and Russia it is a full-blooded democracy; unlike India it has no serious disputes with its neighbours. It is also the only BRIC without a nuclear bomb’. The Heritage Foundation's ‘Economic Freedom Index’, which measures factors such as protection of property rights and free trade ranks Brazil (‘moderately free’) above the other BRICs (‘mostly unfree’).

Russia: Before the 2008/9 Recession, Russia was one of the world's premier emerging markets. Economic growth was stellar, at more than 7% a year from 2000 to 2007. Further, thanks to high oil prices, per capita income rose sharply, from $2,095 a year in 2000 to an estimated $8,209 in 2014. However, a natural resource curse and a declining population have raised questions about Russia’s economic future,

As Pearlstein, quoted in *TIME*, notes, by rights it ought to have been Russia, not India that rode the technology sector up the development curve. This is a country, after all, of nearly 100% literacy, with a scientific community rich in mathematicians, physicists and engineers who in the past were able to develop nuclear weapons, supersonic jets and sophisticated spy satellites, and who pioneered space travel. However it did not as more effort has gone into buying and selling natural resource assets[9].

Further, while the other BRICs have shrugged off the recession, Russia has not recovered. With the economy plagued by poor growth and investment, the outlook has turned gloomy. While continuing its

[9] http://business.time.com/2007/07/12/is_it_really_brics_or_just_ics

dominance of the European energy market, it appears likely to continue to struggle economically, as its population declines unless something is done to turn oil dividends into other investment[10]. Another reason often cited for the sluggish performance is a ‘predatory’ and oligarchical state (Schuman 2011).

India: A constant thread in the analysis of India over the last ten years is the sense of huge potential in the economy. The challenge has been to consistently actualise this. Hence, Purushothaman (2004: 1) of Goldman Sachs writes, ‘highlight of our October 2003 BRICs report was the remarkable—and largely underappreciated—growth potential for India. India could be a bigger growth story than China over the long run.’ This he attributes to ‘India’s services-led growth strategy, a departure from Asia’s traditional manufacturing-led model for growth’, adding that globally competitive firms are emerging from the country’s historically protected private sector, and broad-based reform is fostering infrastructure development and greater openness.

Thus a 2007 Goldman Sachs report (Poddar and Yi 2007: 1) assert that ‘India's influence on the world economy will be bigger and quicker than implied in our previously published BRICs research’. In the revised 2007 figures, based on increased and sustaining growth, more inflows into foreign direct investment, Goldman Sachs predicts that ‘from 2007 to 2020, India's GDP per capita in US$ terms will quadruple’, and that the Indian economy will surpass the United States (in US$) by 2043.

However, such predictions have also noted that ‘India lags the other BRICS in levels of openness, basic education and infrastructure, meaning that it has work to do to make the BRICS projections a reality’ (Purushothaman 2004, 1). Van Agtmael (2012: 4) notes that ‘dreams of India reaching sustainable annual growth of 8 percent or more have been lowered to 5 to 6 percent after the country hit an inflation barrier and offshore oil explorations failed.’

China: As noted above China is by far the dominant BRIC in terms of the economy, and continues to perform well, with perhaps on India having any hope of matching it in the foreseeable future. ‘Chinese academics and policymakers, as well as the general public, believe China has far outstripped the other members of this artificial country bloc.’ At the heart of China’s success is manufacturing, with the country now widely regarded as the ‘manufacturing workshop of the world’ (Dahlman nd :6). This is enabled by a centralised and compulsory state banking system that has allowed the country to accumulate unprecedented savings to invest in infrastructure.

The ‘growth gap’ between China and other large emerging economies such as Brazil, Russia and India can be attributed to a large extent to China's early focus on ambitious infrastructure projects: while China invested roughly 9% of its GDP on infrastructure in the 1990s and 2000s, most emerging economies invested only 2% to 5% of their GDP. This considerable spending gap allowed the Chinese economy to grow at near optimal pace while many South American and South Asian economies suffered from various development bottlenecks (poor transportation, aging power grids, and mediocre schools).

This noted, (Van Agtmael 2012) notes that leading Chinese economists now expect China's annual growth to slow down from rates of 10 to 12 percent to 6 to 8 percent by the end of this decade. The reasons for this are several: inflation rates at higher levels than desired, rising domestic wages and therefore labour costs, and the slower than desired mechanization of manufacturing. Notably, rising wages and a growing middle class create the possibility for internal markets that China is keen to cultivate as global demand is reaching it zenith.

South Africa: By far the smallest of the five BRICS, South Africa enjoyed modest but sustained economic growth in the region of 3% from around 1997 to 2004, and around 5% from 2004 - 2008[11]. A diversified economy, growth was nevertheless mostly led by good commodity prices. Hence, although the mining sector has declined as a proportion of overall GDP to around 17%, it remains a key earner of foreign

[10] http://content.time.com/time/magazine/article/0,9171,2093344,00.html

[11] http://beta2.statssa.gov.za/?page_id=735&id=1

exchange, along with commodities more widely, and a target of foreign investment. Notably demand for commodities in emerging markets like China helped fuel this growth.

Since 2012 late however, the decline in commodity prices has also seen as decline in exports, now 22% down from their peak[12]. In the last few years, state debt has increasing and is largely financed from international sources. 2014 also saw South Africa over taken by Nigeria as Africa's largest economy, and there seems little prospect of low growth of around 2% making any dent on official unemployment figure of 25%. Enduring and largely racialised inequality between rich and poor in South Africa remains a key and disabling legacy of apartheid rule; a pattern only partly altered by a burgeoning black middle class, a significant proportion of whom are state employed. Indeed, the combination of unemployment plus the increase consumer prices has South Africa rated by Bloomberg as the third most miserable economy in the world for 2015[13].

2.4 Rivals

The recent questions about the long term growth prospects of the BRICS, notably O'Neill's comment that were he to do it all over again, the acronym wouldn't have been one at all, but rather just 'C' for China, have left many analysts wondering if other countries may not be better bets for future growth. These include alternative packages of emerging markets advocated by rival banks such as the CIVETs (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), the EAGLES (Emerging and Growth-Leading Economies) and the 7 percent club (which includes those countries which have averaged economic growth of at least 7 percent a year)[14]. The same creator of the term 'BRIC', O'Neill, endorsed the term MINT that includes Mexico, Indonesia, Nigeria and Turkey[15].

A particularly acerbic alternative is CEMENT (Countries in Emerging Markets Excluded by New Terminology)[16]. Whilst advocates accept there has been spectacular growth of the BRIC economies, they hold that these gains were the result of the strength of emerging markets generally, and that strength comes through having BRICs and CEMENT. The Eagles are the brainchild of BBVA (2012), Banco Bilbao Vizcaya Argentaria, S.A, a multi-national Spanish banking group. Lastly, Michael Schuman (2014b) of TIME has most recently proposed the PINEs (Philippines, Indonesia, Nigeria and Ethiopia). According to Schuman, 'The PINEs are all performing very well right now, and that shows that the advance of emerging economies is far from over. In fact, the fantastic growth story in the developing world is widening and deepening, drawing in countries and regions that had previously been left out.'

2.5 External versus internal markets

The rise of the BRICS, and in particular the success of the export-led growth regimes of China and India, has been largely underpinned by the supply of external markets, especially the US. However as these markets approach saturation, and the BRICS are subject to competition from other newly industrialised countries, (and also a revived US and Europe), the challenge is to build new internal markets to keep demand high. This is the idea that O'Neill (2009: 1) terms 'decoupling'. He states:

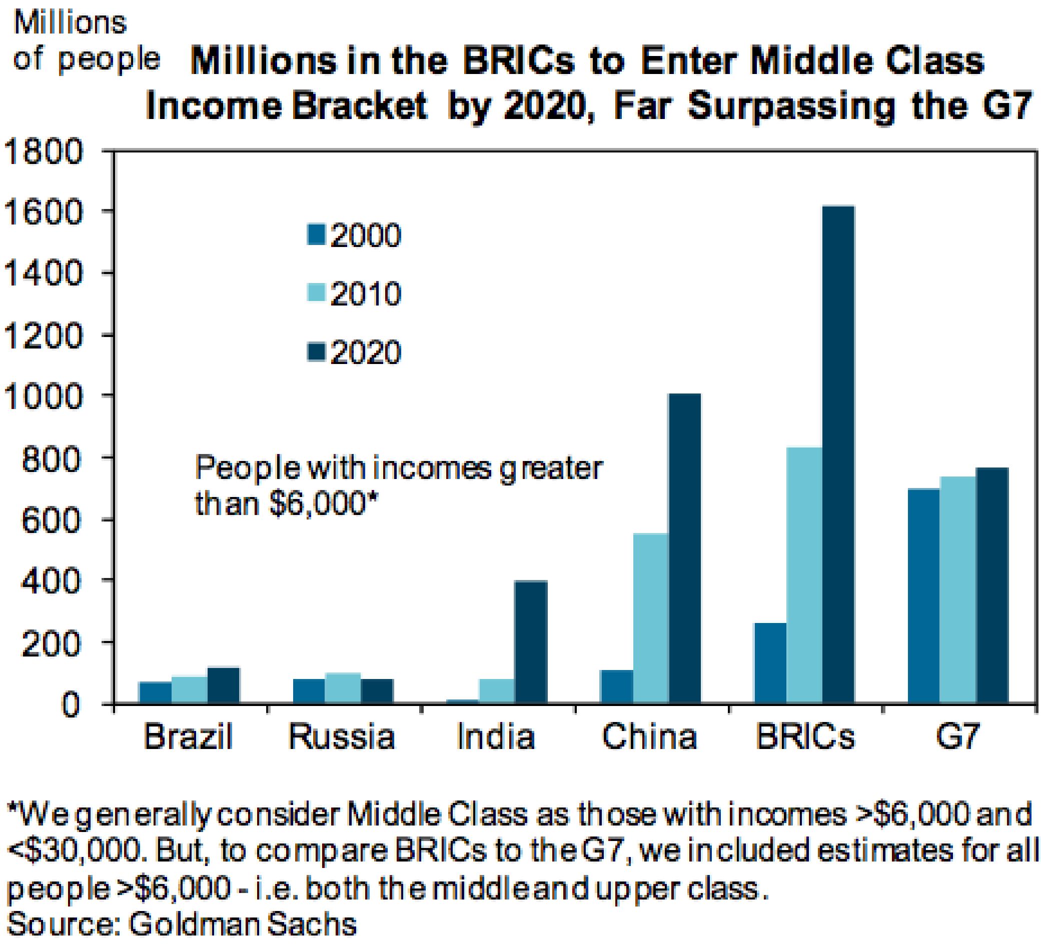
> The decoupling idea is that, because the BRICs rely increasingly on domestic demand, they can

[12] http://www.biznews.com/thought-leaders/2014/10/29/allan-gray-whats-wrong-south-african-economy/
[13] http://www.bloomberg.com/news/articles/2015-03-02/the-15-most-miserable-economies-in-the-world
[14] http://www.bloomberg.com/news/articles/2011-02-16/goldman-s-picks-can-t-beat-7-club-on-sexiness-william-pesek
[15] http://in.reuters.com/article/2014/03/25/emergingmarkets-oneill-idINDEEA2O0DY20140325
[16] http://www.iii.co.uk/articles/14710/cement-could-overtake-bric-flourish

continue to boom even if their most important export market, the United States, slows dramatically. The idea came into disrepute last fall, when the U.S. market collapse started to spread to the BRICs, but there's now lots of evidence that decoupling is alive and well.

Notably, at the heart of the Goldman Sachs forecasting is the tremendous growth of the middle-classes, at least in India and China (see Figure 4 below). Their 2009 report predicts a massive rise in the size of the middle class in these nations. In 2025, it is calculated that the number of people in BRIC nations earning over $15,000 may reach over 200 million people. This indicates that a huge increase in demand will not be restricted to basic goods but will include higher-priced goods as well. According to the report, first China, and then a decade later, India, will begin to dominate the world economy.

Figure 4 Middle-Class Formation in the BRICS



Source: http://www.globalsherpa.org/wp-content/uploads/2011/04/brics-middle-class-income-bracket-2020-goldman-sachs-5.10.png

This phenomenon, too, will affect world markets as multinational corporations will attempt to take advantage of the enormous potential markets in the BRICS by producing, for example, cheaper automobiles (and other manufactured goods) affordable to consumers within the BRICS instead of the luxury models that currently bring the most income to automobile manufacturers. India and China have already started to make their presence felt in the global arena in the service and manufacturing sectors respectively.

Kregel (2009: 16) notes that while Brazil is ‘especially well placed to implement a transition policy from external to internal demand-led growth', this cannot be a solution for all developing countries. The reason is that were all to do this it would 'create pressure on primary commodity supplies and energy prices, as well as exacerbating environmental issues'. Thus, he concludes, 'domestic demand-led policies must also include attention to food and environmental issues which have a disproportionate impact on price stability and on incomes in the poorest countries'.

This point is important, as some criticise Goldman Sachs projections for assuming resources are limitless and endlessly available when needed. In reality, many important resources necessary to sustain economic growth, such as oil, natural gas, coal, other fossil fuels, and uranium might soon experience a peak in production before sufficient renewable energy can be developed and commercialized, which might result in slower economic growth than anticipated, thus throwing off the projections and their dates. The economic emergence of the BRICs will have unpredictable consequences for the global environment.

2.6 Investment

Not surprisingly, given all the attention of Goldman Sachs and other analysts, the BRICS (including South Africa) have enjoyed rising rates of foreign direct investment (FDI) at least until the 2008 recession. As Duan (2010: 46) notes, 'the overall trend of the inward FDI in the BRICs is increasing', and Hunya and Stöllinger (2009) identify the EU as the biggest FDI investor in BRICS. There are some differences in the investment patterns by country. Duan (2010: 48) notes that 'In Brazil, Russia and India, the tertiary sector receives the most inward FDI on average over the past decade, while the primary sector receives the least and the secondary sector is in the middle'. China, in turn, is different. Here 'the secondary sector dominates the majority of the inward FDI and the primary and tertiary sectors receive only a bit'.

Jadhav (2012: 5) argues that investors are significantly influenced by market size. He writes, 'findings indicate that economic factors are more significant than institutional and political factors in BRICS economies. The results indicate that market size measured by real GDP is a significant determinates of FDI which implies that most of the investment in BRICS is motivated by market-seeking purpose'. He notes that other variables matter too, notably, 'trade openness, natural resource availability, rule of law and voice and accountability'. Somewhat surprisingly, he notes that 'natural resource availability has a negative effect on total inward FDI, this particular result indicating that FDI is not motivated by resource-seeking purpose in BRICS economies.'

Notably, BRICS are also emerging as investors in other developing countries. Hence Mlachila, M. & Takebe (2011: 1) write 'there is case study evidence that it [FDI by BRICs in lower income countries] is increasingly significant. Second, while initial investment, mostly by state-owned companies, has often been destined for natural resource industries, over time, investment has been spreading to agriculture, manufacturing, and service industries (e.g. telecommunications). Third, FDI from BRICs flows into many non resource-rich countries in LICs and plays a significant role in growth in those countries.'

While Jadhav notes that FDI in BRICS is not motivated by resource-seeking, the same can not be said for the BRICS as investors, especially the resource-hungry economies of China and India. Writing on BRICS in Africa, both Kimenya & Lewis (2011) and Schoeman (2011) note the importance of natural resources in patterns of investment – especially for China (Taylor 2010:162; Taylor 2014). The most obvious examples are those of Petrobas (Brazil), Petronas (Malaysia), the China National Offshore Oil Corporation and India's Oil and Natural Gas Corporation. Schoeman (2011:39) notes:

> The most salient feature of Africa–South economic relations is emerging markets' needs for Africa's abundant natural resources. It is this aspect that often causes apprehension, with a fear that the structure of trade relations will reinforce Africa's role as a provider of primary

> products. …This fear is borne out by trade figures and the composition of trade between Africa and the BRIC countries.

Schoeman also notes the extent to which a significant portion of BRIC FDI in Africa focuses on the continent's agricultural sector in a manner similar to the developed economies. Cotula et al (2009) argue that 'Large US and UK companies are also investing in land on the continent and have been doing so for decades, though the difference between the two sources of investment seems to lie in the fact that South countries' investments in land in Africa are government backed and very much focused on food security, rather than 'merely' profit seeking'.

2.7 Trade and Regions

At the global level, the rise of the BRICS has, according to De Castro (2013: 1), seen a diversification of export markets such that 'exports to markets other than the Triad [US, EU and Japan] are increasing but consist of less significant product groups'. Further, as Chen and De Lombaerde (2014: 128) note, 'the BRIC's export structures show variation, with Brazil and Russia exporting relatively more raw materials, China relatively more manufactured goods, and India relatively more services'. In sum, the rise of the BRICS has not fundamentally changed the nature of what is traded in global markets, so much as how much is traded.

What about trade patterns within different regions, however? Central to the notion of the BRICS, and perhaps best exemplified in the addition of South Africa to the group, is the idea of a country becoming a regional power, in both economic and political terms. Kappel (2010: 3) defines an economic regional power as 'an economy with a relatively large population and land area which plays a dominant role in trade within the region and in the regional governance. The regional power develops its technological capacities, and its businesses act regionally and globally with increasing strength'. A key question in relation to the BRICS phenomenon is whether or not these states are, in fact, regional powers, and what impacts their global rise has had on their regional standing, and *vice versa*.

The literature is limited on this question, but it is possible to offer at least two responses. The first, articulated by Chen and De Lombaerde (2014: 111) is that 'the relative globalization of the BRICs is related to more global sourcing by the BRICs, enhanced regional competitiveness of the BRICs, and more asymmetry and trade dependence from the perspective of the regional trade partners.' In short, being a regional economic power and a global power appear to be reinforcing, possibly at the cost of neighbours.

They go on to note (2014: 126) that 'the share of the BRICs in intra-regional imports (DFD imports) is positively related to their own economic size but negatively related to the GDP of the rest of the region', adding that the 'BRICs clearly dominate extra-regional trade relations of their respective regions and their shares in extra-regional trade are overall still increasing'. Indeed, they conclude 'the overall centrality of the BRICs is also rising over the period of observation (2000–2010). In the same period, especially China, but also India, have strengthened their hubness (sic).' They conclude by noting that,

> if the BRICs maintain their globalization advantage over their neighbours (as they seem to do) or even increase it, they will likely strengthen their hubness in the regions, implying stronger technological positions and more asymmetric trade relations with their neighbours.

A second argument by Bauman (2013), comparing Asia and Latin America regionalism, holds that not all regional economic relations are the same, and some, as in the case of Asia, appear to be mutually beneficial, whereas those in Latin America are less so. He notes (2013: 6-8) that 'trade in Asia is far more integrated than in Latin America and the (high) share of ´production goods` in regional trade has had an impact on regional growth. In the last two decades GDP growth in Asia has become far more homogeneous than in the early 1990s. At the same time… for Central America, the Andeans and Mercosur we obtain a very low degree of homogeneity, with almost no changes throughout the whole period'. In this regard it is worth noting Taylor's (2014: 19) observation that South Africa does not stand as a clear economic leader of Africa beyond southern Africa, and in fact the role of the other BRICS is more important for Africa's economic and developmental future.

Bauman also notes that there are different relations between the BRICS and their neighbours in the regions, with trade links in Asia with China being generally much more intense than those in Latin America with Brazil. He concludes by noting that these findings raise at least two political issues: 'it will soon be necessary to make trade policies part of the agenda among BRICS, so far a very sensitive issue and there is a clear need to stimulate productive complementarity among Latin American countries, so as to face external competition in a more competitive way' (*ibid*: 16).

3 Political Dynamics

As noted by Kobayashi-Hillary (2007: ix) it is important not to 'isomorphise' the BRICS as economic categories with the BRICS as political actors. Economic and political actors often disagree, and economic innovation often occurs despite government and not because of it. Furthermore, the interests of the BRICS as political actors extend beyond economic questions, not least due to the history of the political marginalisation of the global south due to colonialism and its legacies. Hence, as Nel (2010: 351) comments, BRICS politics is influenced by 'the struggle for recognition of developing countries as full and equal partners in the society of states' as well as 'states with specific development needs that are too easily ploughed-under in the spurious universality promoted by the developed North'.

This political agenda is evident in the inclusion within BRICS grouping of South Africa, which is clearly not in the same league as the other four BRICS economically. It also helps explain why the investment branding by Goldman Sachs has been taken up and used by the respective governments in their internal relations. As Emerson (2012: 1) puts it:

> Their political branding is also clear: as an alternative leadership group to the old West, and a form of protest against the old hegemony of the US and the disproportionate ranking of Europe in multilateral organisations.

In this regard, Wade (2011: 347) cites a WikiLeaks cable from the senior U.S. official for the G20 process, from January 2010: 'It is remarkable how closely coordinated the BASIC group of countries [Brazil, South Africa, India, China] have become in international fora, taking turns to impede US/EU initiatives and playing the US and EU off against each other.'

This politics has been relatively successful to date, as is evident in the reform of the IMF voting regulations in 2008 and 2012 to include more developing countries, mainly China. More significant was the rise by 2009 of the G20 group of countries (which includes the BRICS) that has replaced the older G7/8 grouping as the most important forum for deliberating on international economic governance (Rothkopf 2009). Perhaps most important, however, are the most recent initiatives by the BRICS group to establish its own bank and international financial reserve fund. As *The Economist* (2010a) notes, one reason that the BRICS matter politically is because the US thinks they do, and 'pushed for the [G7s] expansion to include the BRICs and declared the club the chief forum for dealing with international economic issues.'

Importantly, while economic governance and a shared development agenda is the mortar that holds the BRICS together, this co-operation has spilled over to aspects of international relations more generally, in particular in opposition to US unilateralism and in support of more multilateral and (in elite terms) inclusive forms on decision-making in global politics.

3.1 New global financial institutions

By far the most important issue on the BRICS political agenda to date is the creation of new global financial institutions. The intention, as Schumann (2014c), puts it, is 'to create institutions and processes to supplement — and perhaps eventually supplant — the functions of those managed by U.S. and Europe'. The BRICS countries have the resources to do this too, 'without the annoying conditions that the World Bank and the IMF always slap on their loans and assistance' (*ibid*). There are two main elements to the institutional reform: a reserve currency pool of US$100 million, called the BRICS Contingent Reserve Arrangement (CRA), confirmed at the Fortaleza meeting in 2014, and the new development bank. Whereas the former is intended to help stabilise currencies in the BRICS macro-economic interests, the latter will play the role of supporting development on terms defined by developing countries themselves.

3.2 Contingent Reserve Arrangement

Watson *et al* (2013) note that while the remit of the BRICS Bank overlaps with that of the World Bank, in time, the BRICS Contingent Reserve Arrangement (CRA) could present a direct challenge to the International Monetary Fund (IMF). To reflect on the potential implications of the CRA, Watson et al examine the record of a close precursor, the Chiang Mai Initiative, signed in May 2000 between the Association of Southeastern Asian Nations (ASEAN) countries plus China, Japan and Korea. The initiative was multilateralised in 2010 and renamed the Chiang Mai Initiative Multilateralization (CMIM).

Watson et al note that the aim of CMIM is to safeguard against increased risks and challenges in the global economy by addressing balance-of-payments and short-term liquidity difficulties in the region, as well as by supplement existing international financial arrangements. In evaluating the role of the CMIM, Watson *et al* raise serious questions about its efficacy. A key criticism is that when the CMIM was tested in late 2008 as a result of the financial crisis, 'its small size… and lack of rapid response procedures rendered it unusable. Instead, countries resorted to bilateral currency swaps with Northern countries' (*ibid*: 2).

They further note that the CMIM is not actually a reserve fund 'but rather… a broad agreement to provide funds in case they are needed. Institutional surveillance mechanisms have not yet been established, and neither have rapid response procedures' (*ibid*: 2). In addition, the comparability of the CRA to the CMIM is limited by the fact that the CMIM is limited to a regional grouping only, to currency swopping rather than loaning, and 'only 30 per cent of a member's quota is accessible without an IMF programme…for the remaining 70 per cent the member state must agree to an IMF programme, including policy prescriptions' (*Ibid*: 2).

Setting aside the differences in relation to design and roles, it does seem that the experience of the CMIM affirms the importance of a substantial financial reserve and clear and stable governance procedures for the CRA to be effective. To date, at least the former appears to be in place, although the later remains unresolved. Even though the intention is, at least in time, to delink the CRA from the IMF, Watson et al note that it remains an open question 'as to whether a set of institutional mechanisms can be developed to provide disbursements according to agreed criteria in a way that does not replicate the much-criticised IMF procedures' (*ibid*: 2).

3.3 New development bank

Slated to be located in Singapore, the new BRICS development bank will have an authorized capital of $100 billion, and could lend up to $34 billion per year (Khanna 2014: 46). Also significant is the strong emphasis in all BRICS communications of the centrality of infrastructure to future economic development. According to Khanna (2014: 46) this emphasis is entirely logical:

> …two-thirds of the world's nations are physically crumbling post-colonial constructions - not least India itself - badly in need of a long-term boost in infrastructure investment. National budgets cover at most $1 trillion of the estimated annual $3 trillion required in infrastructure spending just to keep up present levels of GDP growth.

Noting that, 'for the first time in history, infrastructure spending consistently exceeds military expenditure', and that the gap is growing in the favour infrastructure, Khanna concludes that 'infrastructure finance is as much or more a tool of geopolitics today as military alliances'. He adds (2014: 47):

> It also reflects a difference in philosophy over the need to prioritize physical infrastructure over other priorities (such as education, healthcare, women's rights, etc) towards which the World Bank has been drawn in recent decades. From a holistic point of view, all such investments are crucial for equitable national prosperity and wellbeing, but nothing creates jobs and literally drives "state-building" like infrastructure.

The key mission of the BRICS bank, Khanna concludes, is to serve as a bridge to channel global savings of around $75 trillion, much of which the BRICS hold, into essential infrastructure projects, by partnering with 'the Multilateral Investment Guarantee Agency (MIGA) and other financial and non-financial institutions that can make otherwise high-risk investments more attractive through insurance arrangements, inflation hedges, and other tools' (*ibid*: 48).

It seems inevitable that the BRICS bank will have to impose some kinds of conditions on its loans. According to Williams (2014: 1), it would not be wise for the new development bank to go the route of 'lax conditions for developing countries and expose the bank to the risk of non payments of loans because of the less than favourable fiscal conditions in most developing countries'. Khanna (2014: 47) agrees, noting that 'in search of decent yield in a post-QE [quantitative easing] world, the global investment community will likely get on board with the BRICS bank's projects so long as these steps are taken to deliver decent returns.'

Watson *et al* (2013: 1) identify a number of additional uncertainties in respect of the BRICS bank, including 'capital structure, governance structure, leadership' and 'obtaining a top credit rating for the BRICS Bank and reconciling the BRICS countries' diverse economic and political interests'. Reflecting on lessons from regional development banks, Watson et al argue that 'the most important determinant of these factors will be the bank's mandate regarding the sectors and locations where it will focus, and the forms of financing it will employ. The creation of the mandate and how it is interpreted in practice will be influenced by the sources of funds that capitalise the new bank, and how it is governed in terms of the allocation of voting rights' (*ibid*: 3).

In this regard they note the contrast between Regional Development Banks (RDBs) that have broad mandates, as well as different governance structures, and the narrow mandate of the Brazilian Development Bank (BNDES). The latter is capitalised by the Workers Support Fund, which it manages, and which is aligned with its mandate to invest in machinery, industrial equipment and economic infrastructure. In respect of the latter they note that the key difference in the governance of RDBs is 'the relative importance of lenders and borrowers'. Hence, while the African Development Bank (AfDB) governance structure locks-in a majority for African countries (i.e. borrowers), the other RDBs allow a much larger role for non-borrowing members. For the Inter-American Development Bank (IADB) this is the US; for the Asian Development

Bank (ADB) it is Japan. These differences have a significant impact on each of the RDB's activities' (*ibid*: 3).

Until the sources of funds and governance arrangements of the new bank are clarified, it is hard to predict the nature of its lending practice. Ideally, Watson et al argue, the BRICS Bank 'would reduce the up-front risk of investment and attract further early-stage finance, transfer project knowledge and reduce project risk by holding recipient governments to account' (*ibid*: 3). In many ways, it is hard to see how this approach would be fundamentally different from the World Bank, other than offering more options for borrowing. Watson et al conclude that although a BRICS bank may be a necessary condition for a challenge to the IMF and World Bank, it is not a sufficient condition.

3.4 Approach to development

A key question raised by the ascent of the BRIC countries is to what extent they share a common approach to development, and whether this differs from that adopted by the current mainstream development agencies. A widely observed trend in the literature is that the BRIC countries concentrate much more on infrastructure and productive sectors, such as energy, as targets for investment, than traditional donors, who tend to emphasise issues such as good governance, rule of law, a strong civil society, education, health and the like (Schoeman 2011, Stolte 2012; Watson *et al* 2013).

As Schoeman (2011: 43) puts it, for many African countries the overriding concern is economic growth, viewed as the solution to underdevelopment, poverty, disease and other socio-economic ills. To them, the kind of assistance provided by Southern partners, particularly China, promises deliverance from such ills. Consequently, Schoeman asserts (2011: 44) that in 'many African countries… China is becoming synonymous with infrastructure development: not only does it provide much-needed assistance, but its contractors are carrying out much of the construction work'. Noting that the emphasis on infrastructure-focused aid is a return to early western development practice before the turn to social sector support, Watson *et al* (2013) add identify 'a shift in Chinese and Indian funding to agricultural development, debt relief, and preferential market access'.

In addition to a different substantive focus, it can be argued that the BRICS adopt a different style of development governance that is focused on equal partnerships rather than the traditional donor-recipient asymmetry. Hence, in writing of Brazil's engagement in Africa, Stolte (2012) notes that 'South–South cooperation' is a key driver of Brazil's approach, not least 'as it is seeking support for a permanent UN Security Council seat.' Watson *et al* (2013) characterise South-South co-operation as about 'development "partnership" and mutual learning rather than 'donorship'', as well as 'mutual benefits without the attachments of policy conditionality in governance, economic policy or institutional reform'. China, in particular, emphasises 'national sovereignty' and development partners' responsibility for their own long-term development.

For Watson *et al* (2013), for the BRICS to achieve the goals they have set themselves with the new economic institutions, a number of 'enabling conditions' need to co-exist, including:

- a continued focus on domestic growth and stability in the BRICS;
- a deeper engagement of the BRICS in multilateral forums and regional trade forums such as the World Trade Organization (WTO), and advocacy for qualified leadership candidates from the BRICS;
- the pressure to align the policies of the new bank with sustainable development and other global public goods debates;
- the promotion of transparent and democratic bank governance. This includes providing better quality trade and investment data with respect to the size and terms of financing flows, as well as the structure and conditions of deals, and concessions for natural resources. Demands for human rights, social impact and environmental sustainability criteria should be considered in investment decisions, and engagement with the new bank by local populations and civil society also need to be addressed.'

3.5 International relations and multilateralism

Although at heart the BRICS are motivated by issues of international political economy, their collaboration has spilled over into more conventional areas of international relations, primarily around opposition to US political unilateralism, often aligned to its economic unilateralism. As Wade (2011) notes, it is not clear how the relationship between economic globalisation and international relations will unfold into the future. He states 'there is no body of theory that might shape our expectations about the gap—large or small, increasing or diminishing—between economic globalization and multipolarity, on the one hand, and political globalization and multilateralism, on the other. It remains an open question whether the gap will reduce or widen over time (*ibid*: 367).'

The three key question that occupy scholars of international relations in respect of the rise of the BRICS are: (i) what are the incentives for multilateralism of the BRICS, especially for China?, (ii) to what extent are the BRICS a collective of regional hegemons?, and (iii) what are the possibilities and limitations of BRICS acting as a bloc in international relations outside of economic and development issues? In respect of the first question, the above section has illustrated the extent to which, as an economic actor, China is in a league of its own compared to the other BRICS. Why does it not engage the US, EU, Japanese triad on its own? Glosny (2010: 103) offers a compelling answer to this question by drawing on the theory of unipolar stability. He states:

> a unipolar distribution of power imposes severe constraints on the behavior of other states, while the unipole's massive power advantage leaves it free from constraints. Under unipolarity, even if the other major powers combined their efforts, they would still not be powerful enough to challenge or check the unipole. Balancing is not only futile but also counterproductive, as such attempts would likely lead the dominant state to retaliate.

Recognising the reality of ongoing U.S. efforts to make its hegemonic position 'unchallengeable', Chinese leaders feel compelled to 'bandwagon with the United States' (2010: 102) in response to this, the BRICS offer China a way to 'minimize dependence on the U.S. and possibly to constrain American unilateralism'. The multilateralism of the BRICS also offers China other benefits like 'stabilizing its international environment, helping other developing countries, strengthening its identity as a developing country, coordinating its position with other BRICS to maximize leverage, and hiding in a group to avoid negative attention' (Glosny 2010: 104). A similar argument is made by Shaw *et al* (2009) who claim that the BRICS make sense as an attempt to build a 'new global middle' in a heavily unipolar system. As *The Economist* (2010a) notes, this politics also applies to the other BRICS in relation to China: 'The BRIC forum is an alternative to what they all (perhaps even China itself) regard as a nightmare: a G2 of America and China.'

3.6 Common policies

A particularly common refrain about the BRICS as political actors on the global stage is the limits on their ability to act cohesively on policy issues and international events outside of the economic and development realm. Hence, as stated by Henry Kissinger in 2010, 'the BRICs will attempt to be a player on global economic questions. But I would be surprised if they could achieve a coherent political position on the international scene. In any event, the most hopeful prospect is cooperation between the BRIC states and America, not confrontation' (Gardels 2010). A similar view is expressed by Cameron (2011: 2), when he observes that the EU 'does not consider the BRICs capable of acting together on any major global issue'. Lastly, writing on the issues of global health, Harmer *et al* (2013: 1) note that while the BRICS 'have made a number of important commitments towards reforming global health, but if they are to be more than a memorable acronym they need to start putting those collective commitments into action.'

There are many reasons why BRICS political collaboration at a global level is likely to be limited. For example, in respect of security issues, Flemes & Vaz (2011) argue that collaboration on security is driven by regional rather than global logics. Examining the practice of IBSA (India, Brazil and South Africa) on security issues, they conclude that the 'results of global security agenda coordination and cross-regional defence collaboration' are 'modest' as the 'prevailing security concerns of each country are located at the regional level'.

China vs India: As the two largest and most vaunted members of the BRICS, (although in the case of India for its economic potential rather than the current size of the economy), India and China have a long history of enmity that includes a war in 1956. There are also substantial political differences between a noisy democracy in the case of India and a restrained autocratic party system in China; and enduring conflict with regard their respective roles in Asia (Watson et al, 2013). As noted in *The Economist* (Anonymous 2010a):

> China and India fought a war in 1962. China has taken control of a slice of Kashmir which India says was ceded illegally by Pakistan. China also disputes India's title to the state of Arunachal Pradesh. In 2009 China tried to stop the Asian Development Bank from lending money to India because the loans would have financed a flood-control project there. India has been trying to limit the numbers of skilled Chinese workers. Some Indians fear that China wants to strangle their country with a 'string of pearls': the imagined necklace consists of Pakistan, India's long time rival; Nepal, where China backs the Maoist opposition; and Sri Lanka, where it is financing the country's big post-civil-war reconstruction projects.

These political differences and rivalries are manifest in relation to economic issues too. It is worth remembering that when China set up an Asian Infrastructure Bank that effectively rivals the Japan-dominated and Manila based Asian Development (ADB), it did not invite India to join. As Khanna (2014: 48) notes, 'China is clearly spreading its lending across multiple platforms, and knows all too well that infrastructure finance is not just a tool for the BRICS to use collectively, but also internally' amongst the BRICS.

Emerging economy rivals: Contrary to Prabhakar's (2011: 67) claims that 'the BRICs can represent all the developing countries', politically the BRICs face a number of rivals. East Asian countries are cobbling together something that might one day become a coherent emerging-market group. In March ASEAN nations, China, Japan and South Korea set up a pool of foreign-exchange reserves allowing them a small degree of monetary-policy co-ordination. Such a group leaves out Brazil, Russia and India. Above we have noted the rise of alternative emerging economy cohorts as potential growth leaders, the CIVETs, EAGLES, PINEs and CEMENT.

In political terms, Emerson (2012: 1), argues that compared to the BRICS, IBSA is 'the more functionally advanced' and is 'clearly working for the cause of South-South cooperation'. Not only have the BRICS 'not yet really implemented an extensive bureaucratisation of their activities' but 'the striking fact to emerge is that whereas the IBSA countries have a lot in common, in the case of the BRICS this is much less the case.' Notably, Taylor (2012) disagrees with this view, as the mission of the BRICS and IBSA are largely the same, the greater size and power of the BRICS means that they gave eclipsed IBSA. Also worth considering are the various regional political bodies such as SADC, MERCOSUR, etc.

Human rights: Many commentators have noted that China and Russia's large-scale disregard for human rights and democracy could be a problem in the future. Human rights issues do not inform the foreign policies of these two countries to the same extent as they do the policies of Brazil and, to a lesser extent, South Africa. There is also the possibility of conflict over Taiwan in the case of China, or Ukraine in the case of Russia.

Elitism: Taylor (2012) argues that both the BRICS and IBSA are elite driven projects that are not inherently concerned with the wellbeing of ordinary citizens – as reflected in many policy gaps. Hence, writing in respect of the agricultural sector (2012: 2), he notes that ‘there is a total absence of any strategy that might promote greater exports and market access for agro-business and protect the peasantry and small farmers’. He also notes the lack of policies to protect markets or stabilise commodity prices, taking this as further evidence of ‘externally-orientated domestic class fractions’ that dominate the BRICS, hence their dominance of trade agendas by the interests of exporters and ‘a concomitant disproportional stress on access to Northern markets’.

3.7 Regional hegemons or leaders?

There is a vigorous debate over the extent to which each of the BRICS can be described as the political hegemon, or at least leader, in their respective regions. At the one end of the analytical spectrum is Van Agtmael (2012: 2), who argues that none of the BRICS is ‘fully accepted as “the” leader even within its own region. China's rise is resented in Japan and distrusted throughout Southeast Asia. India and China watch each other jealously. Brazil is a major supplier of commodities to China and has relied on it for its economic success, but the two powers compete for resources in Africa. Russia and China may have found common cause on Syria, but they compete elsewhere’.

At the other end of the spectrum is Bond (2013a, b) who describes BRICS as ‘sub-imperialists’ in a system of global capitalism. For Bond, key elements of the sub-imperialist role are control of regional natural resources; regional economic extraction and the export of capital; internal corporate monopolisation and financialisation; and the facilitation of regional political stability and ideological legitimation of neo-liberalism (Bond 2013a: 266-7). While clearly a political leadership role and a sub-imperial role are not necessarily equivalent, it seems safe to assume that effective sub-imperialism requires regional leadership, especially as regards the issues of regional political stability and ideological leadership.

If one considers the eleven conditions that Nolte (2010: 893) identifies for a state that is a regional power, then it seems likely that the various BRICS nations will meet these criteria to differential degrees. Nolte holds that a regional power is a state:

1. ‘which articulates the pretension (self-conception) of a leading position in a region that is geographically, economically and political-ideationally delimited;
2. which displays the material (military, economic, demographic), organizational (political) and ideological resources for regional power projection;
3. which truly has great influence in regional affairs (activities and results).
4. which is economically, politically and culturally interconnected with the region;
5. which influences in a significant way the geopolitical delimitation and the political-ideational construction of the region;
6. which exerts this influence by means of regional governance structures;
7. which defines and articulates a common regional identity or project;
8. which provides a collective good for the region or participates in a significant way in the provision of such a collective good;
9. which defines the regional security agenda in a significant way;
10. whose leading position in the region is recognised or at least respected by other states inside and outside of the region, especially by other regional powers;
11. which is integrated in interregional and global forums and institutions where it articulates not only

its own interests but acts as well, at least in a rudimentary way, as a representative of regional interests.'

Noting that the rise of a regional power is not the same thing as the rise of a region, and may indeed inspire resentment from other countries, Nolte (2010: 897) holds that regional powers may relate to other states in a variety of ways including coercion, contestation, hegemony and even a balance of power. Being a regional leader then, is not the same as being a hegemon (Pedersen 2002). Arguably, this internal architecture of power is also influenced by relations with powerful actors external to the region (Acharya 2007).

In applying these criteria to each of our five countries, it seems to me that, especially when added to the evidence from Chen and De Lombaerde (2014), the case that BRICS are regional leaders is generally strong.

Brazil: Brazil almost naturally dominates South America constituting more than 50% of its territory, population and resources, but has historically been more inwardly focused on its internal challenges. Bethell (2010) argues that this has begun to change since 1990, and that today Brazil now sees itself as a regional power and an emerging global power. Under Lula it has put much more emphasis on building good relations with South American neighbours (a language barrier has long held these back), but also economic and political regional integration. Further, Argentina, historically Brazil's greatest rival, is now a shadow of its former self, although the views of other South American countries towards Brazil are mixed (Arnson, C & Sotero 2010).

Russia: Emerging in the shadow of the USSR, a global super power, Russia remains a large, economically important and powerful country, but one struggling to contain decline since 1989. As noted above, Russia has maintained significant economic prowess through the drilling of oil, despite significant challenges such as a declining population. Politically, the country has struggled with a transition to democracy, and remains heavily authoritarian given the influence of oil oligarchs and the more recent centralisation of power under Putin. As Macfarlane (2006: 41) notes, at the heart of Russian foreign policy, especially in Asia, is the desire to foster 'international conditions conducive to allowing reconsolidation without external hindrance. Its second major priority is regional: to restore Russian influence over the former Soviet states.' Following its recent annexation of the Crimea, Russia's power seems again on the rise.

India: The growth of India's economy in recent times has thrust it into South-East Asia as a potential regional power too, not least as its foreign policy is increasingly trade-driven (Schaffer 2008). Historically at odds with Pakistan, this development brings relations with China and the US into greater relief. This approach has seen a strategic shift from the non-alignment of the Cold War or mediation or 'poly-alignment' between these powers as Robinson (2011) terms it. Notably, India's ambitions in the region meet with significant opposition from Pakistan and Sri Lanka, and its endorsement of regional institutions supports the interests of global actors as much as India (Mitchell 2014: 29). For Mitchell, this makes India a nascent regional power rather than an existing one.

China: Clearly China is now a global economic player, but politically too its rise has been significant. Emerging from the shadow of Maoist insularity, China faces significant regional rivals in the form of Japan, a close ally of the US (Möckli 2007). Indeed, as noted above by Glosny (2010), the BRICS and other multilateral forums allow China to assert itself in a unipolar world of US power, while minimising risks of targeting. Furthermore, the integration of East Asian region economically has meant that China's success has benefitted her neighbours significantly (Bauman 2013), swinging sympathies in her favour.

South Africa: South Africa was admitted to the BRICS on the basis of being a regional leader, which it is unequivocally so in southern Africa, accounting for 41% of the Southern African Development Community's (SADC) total trade and about 63% of SADC's GDP. The most developed country in Africa, and until recently the largest economy, South Africa's political influence reached its apex under Mbeki with the advent of the New Economic Plan for Africa's Development (NEPAD) and its adoption by SADC and the African Union (AU). South Africans continue to play important leadership roles in these key forums. As Taylor (2014: 19) notes however, the other BRICS (especially India and China) are more important to the trope of 'Africa rising' than South Africa. Further, in recent years, the advent of Nigeria's economy, the failure to deal with unemployment and inequality, the challenge of dealing with Zimbabwe, and the decline of NEPAD reflect a weakening of South Africa's leadership standing. Indeed, the country's BRICS status helps to shore up its leadership role on the continent – for now.

4 Key questions relevant to BICAS

The following key questions flow from the BICAS agenda to explore the implications of the rise of the BRIC for global agrarian transformation, in particular, whether the BRICS herald a new era for international economy; whether they will substantively challenge the power of US and EU and the Bretton Woods institutions, and whether the advance an approach to neo-liberalism that is substantively different from the neo-liberal version embodied in the Washington consensus.

4.1 Does the rise of the BRICs herald a new era in IPE?

Most scholars are of the view that the advent of the BRICS does herald, at the beginnings, of a new era in international political economy (IPE). In 2003 Arrighi et al published an article in which they supported Nigel Harris' argument that the concept of the Third World was no longer relevant due to similar degrees of industrialisation between first and third world countries. However, they defended the distinction between wealthy northern states and poorer southern states as 'industrial convergence has not been accompanied by a convergence in the levels of income and wealth enjoyed on average by the residents of the former First and Third Worlds' (2003:4), and hence that 'the divide between the rich nations of the former First World and poor nations of the former Third World—the North-South divide—remains a fundamental dimension of contemporary global dynamics' (*ibid*: 4).

Ten years later however, the rise of the BRICs poses the question afresh. Arrighi et al's (2003: 6) argument is based on the notion that the geographical distribution of wealth within states is less important than the distribution of wealth between states, a global hierarchy that is the legacy of the 'industrial and territorial expansion of Western nations in the nineteenth and early twentieth centuries'. Tracing the rise of the globally competitive industries in the global south and the globalisation of the ideas of neo-liberal competitive growth, Arrighi et al (2003: 23) hold that competition began to produce 'sharply divergent developmental outcomes among Third World regions'. The question some ten years later is whether, given the rise of the BRICs in general and China especially as key to a global manufacturing and financial system, whether this competition has spread to include the wealthy north? In this regard consider the views of *The Economist* (Anonymous 2010b), some five years ago:

> Until now it had been widely assumed that globalisation was driven by the West and imposed on the rest. Bosses in New York, London and Paris would control the process from their glass towers, and Western consumers would reap most of the benefits. This is changing fast. Muscular emerging-market champions such as India's ArcelorMittal in steel and Mexico's Cemex in cement are gobbling up Western companies. Brainy ones such as Infosys and Wipro are taking over office work. And consumers in developing countries are getting richer faster than their equivalents in the West. In some cases the traditional global supply chain is even being reversed: Embraer buys many of its component parts from the West and does the assembly work in Brazil.

All things considered, the size and enduring growth of economies of the emerging world, the associated global shifts in trade, investment and savings, and the advent of new institutions and manifest politics around

BRICS, point to a potential sea-change in global international political economy. As Van Agtmael (2012: 10), puts it:

> What is already a fact is that the clear delineation between developed and 'backward' countries is a thing of the past. Western multinational companies are seeking to expand in the BRICS as growth in their home markets has dried up. Chinese and Indian corporations are building their brands in other emerging markets and the West. More than ever, developed countries' economic fates are tied to those of emerging markets.

4.1.1 Does it mean the end of the North-South distinction?

From the above the answer is mostly in the affirmative. Key to this conclusion would be the re-spatialisation of poverty and wealth such that it less and less coincides with national boundaries but, for example, with smaller spatial areas. There is strong evidence that his is happening within cities of world. Hence as Lemanski 2007 notes:

> …the vast majority of Global Cities experience some form of fragmentation. This segregation takes two key forms: firstly the categorisation and division of urban spaces according to investment and development; and secondly the separation of urbanites, according to income and class, into polarised socio-spatial sectors. For example, expansion in US cities has led to the development of dual cities, in which networks of highly-developed spaces of residence, work and consumption for prosperous groups do not intersect with the neglected and under-developed spaces used by the city's poor.

Taking the two questions together, it does seems that both in terms of the integration of economic systems, especially manufacturing and more recently financial, and emergent patterns in the distribution of wealth and power that we are at the beginning of a more truly global capitalist age. We can no longer assume that wealth, capital and political initiative will come solely, or even predominantly, from the traditions hubs in the west. Within a generation, the world will be economically and politically profoundly more plural. Hence, following Churchill, we are perhaps not at the end of the north-south distinction, so much as at the beginning of the end.

4.1.2 Does it affirm the idea of regional analysis as opposed to national and/or global level analysis?

The short answer to this question is that the rise of the BRICS affirms the importance of regional analysis of both economic and political dynamics, but alongside national and global levels rather than in spite of them – indeed a key claim of this paper is that the global recognition of the BRICS economic prowess has not only lead to greater global political influence but reinforced the regional leadership standing of the BRICs too.

There is a lively debate about whether the rise of the BRICS is best understood through an imperialism and sub-imperialism lens (Bond 2013a, b) which would further integrate emerging economies into the global capitalist system (Taylor 2014); and another key debate on whether the rise of the BRICS is at the (relative at least) expense of the regions economically (Chen & De Lombaerde, 2014) or, under certain conditions of complementarity, can potentially aid a region's collective growth (Bauman 2013). Politically, it appears that typically, security concerns are regionally rather than globally framed (Flemes and Vaz 2011), and there are significant limits to BRICS political agreement on many international issues, but it does seem that increased global political influence generally bolsters state's regional leadership role.

Hence, while the rise of BRICS does affirm the importance of regional levels of analysis, it also affirms the importance of exploring how various economic and political dynamics affirm or erode global and national dynamics respectively.

4.1.3 What does it mean for the West and the rising MICs?

The rise of the BRICS is a clear challenge to the dominance of traditional centres of capital. Indeed, the primary cleavage, as manifest within the G20, is between the US and developed countries, principally the EU and Japan on the one hand, and the BRICS and other developing nations on the other. Quoted in *The Economist* (Anonymous 2010a), Robert Hormats, America's under-secretary of state for economic affairs, compares the 2010s to the late 1940s:

> The post-war period was so different from the pre-war one that it needed new institutions. The turn of the 21st century is similar, especially after the financial crisis.' He argues that 'you can't go back to having the system run by a few rich economies. Our big challenge is to work out how large emerging economies integral to the financial and trading system take some responsibility for maintaining it.

In terms of other emerging markets and middle-income countries (MICs), the leadership of the developing world by the BRICS appears largely uncontested, at least so far. However, the nascent tensions within the group, notably between India and China, and also with other developing countries (India vs Pakistan), with the international community more broadly (e.g. Russia and the Ukraine; China and Japan), and internal instability (democracy in Russia and China, religious conflict in India) means that this could change very quickly.

4.2 Do the BRICS bring a development model different from neo-liberal capitalism?

As noted above, aside from a general emphasis on infrastructure-led development rather than social investment, a vigorous debate is taking place as to whether or not the BRICS are in fact challenging neo-liberal capitalist rule. At the one end of the spectrum are Marxist analyses (e.g. Bond 2013a, b; Fotopoulus 2014; Stephen 2014; Taylor 2014) which hold that the BRICS are in effect enabling the spread of neo-liberal global capitalism. Given the association of the BRICs with the greater integration of global capitalism this seems like a compelling position. Some, like Bond (2013a), would take the case somewhat further and argued that the BRICS are acting as sub-imperialists. Quoting Brazilian Marxist, Ruy Mauro Marini from 50 years before, he states:

> It is not a question of passively accepting North American power (although the actual correlation of forces often leads to that result), but rather of collaborating actively with imperialist expansion, assuming in this expansion the position of a key nation (*ibid*: 251-2).

Stephen (2014: 912) offers a different reading out of the more classical Marxist tradition, arguing that the integration of the BRICS into global capitalism has made them 'heavily dependent on the existing institutional framework established by the liberal West. This facilitates their integration into the existing governance order'. However, he continues, there are some significant differences brought about by these new forms of inclusion. First, the BRICS embrace of 'relatively more statist, less market-driven' forms of governance, and 'their subsequent failure to be integrated into emergent transnational capitalist class structures', means that 'in contrast to realist pessimism and liberal optimism, the rise of new powers is leading to a hybrid governance order that is both transnationally integrated and less liberal' (*ibid*: 912).

Stephen notes that the global trend towards 'market integration and economic denationalization' means that the global economy is 'hard-wired in a way that makes protectionist measures difficult to resort to'. This hard-wiring, he continues, 'increases the incentives for transnational integration, deterritorializes inter-state rivalries and… the functional demand for global governance to sustain a global economy'. The logical outcomes of this, he concludes, are 'a common interest in participating in the common frameworks of governance that exist in a functional relation to the global economy, but its 'statist' dimension reinforces a cleavage of preferences between the rising contender states and the established powers of the liberal core' (*Ibid*: 931) In other words, new players now occupy important positions in the economic game, but the game remains fundamentally the same.

Stephen's points about the 'statist' approach of the BRICS to economic governance is born out by Ban & Blythe's (2013) argument that the BRIC countries have not mechanically adopted neo-liberalism for domestic economic governance, but rather adapted it to their particular contexts in ways that retain and defend state-led development policies. Hence, they note, not only is the state defended, but this is undertaken in different ways in different countries. Thus there is an asymmetrical process of selection of neo-liberalism and policy hybridization, and the reasons for the policy hybridization differ from country to country.

Similar points are made by Wade (2011). According to Van & Blythe (2013: 245):

> In each of the case studies examined, we find that the adoption of the core liberal economic ideas of the Washington Consensus dramatically altered the domestic ideational and institutional landscape of each case. But we also find that the policy imperatives demanded by these ideas were only selectively institutionalized. The most important pattern is that in all four countries, the role of the state as a critical actor in development was rediscovered and re-established in ways that go far beyond the modest institutionalist turn experienced by the Washington Consensus after the East Asian crisis.

In conclusion, they observe that the BRICS exceptionalism is only partial. Noting that Eastern Europe and the Baltic countries joined the global economy 'by eviscerating most of the state's economic functions', in other places like Venezuela, Mexico or Argentina, 'the state was rediscovered in a different way'. In other words (Ban & Blythe 2013: 251), 'the BRICs could have been more different than the difference that they already exhibit'. As *The Economist* (Anonymous 2010b) observes 'the BRICs have opened up without the full market liberalisation championed by the 'Washington Consensus'. In the aftermath of the great recession, this mongrel position commands respect in other developing countries, which want to know how the BRICs did it. 'The BRICs aren't exactly an alternative to the Washington consensus,' says Mathias Spektor of the Getúlio Vargas foundation in Brazil, 'but they provide other models to emulate and are effective at expressing something distinctive in economic affairs.'

These views of more statist, but still elitist approaches to economic and development policy largely mesh with Taylor's (2012: 2) observations about the inherently elite nature of economic policy emerging from the BRICS as regards agro-business policy, the lack of policies to protect markets or stabilise commodity prices, the dominance of trade agendas by the interests of exporters and 'a concomitant disproportional stress on access to Northern markets'.

While the hybridity of BRICS economic approaches may be a partial alternative to neo-liberalism in domestic economic governance, this is a separate question from their impact on neo-liberalism more broadly. For a reading of the rise of the BRICS that sees them as offering some, if limited, challenge to global neo-liberalism, the argument of Papamichail's (2014) is instructive. Writing on the new BRICS institutions, Papamichail identifies three real differences that the BRICS could bring.

Firstly, BRICS could involve ‘offering developing nations alternatives that would increase their power to choose, and tailor, financing options to country specific needs without the conditionality that has characterised the World Bank and IMF.’ Secondly, they could increase ‘the agency of developing nations through democratisation of decision making processes… in stark contrast to the governance structures of the World Bank and IMF. Thirdly, ‘South-South cooperation could lead to a more unified front in countering pressures of existing financial institutions and more clout in negotiating policies favourable to the developing world (*ibid*)’. None of these changes, Papamichail notes, involves an alternative to capitalism, or even the US dollar if it remains to underwrite the new BRICS institutions, but nevertheless could challenge at least some aspects of neo-liberalism.

The view most optimistic that the rise of the BRICS will challenge neo-liberalism, other than from some of the BRICS leaders themselves, comes from Desai (2013). She writes that the BRICS ‘have a mortar that binds them: their common experience, and rejection, of the neoliberal development model of the past several decades and the western dominated IMF and the World Bank that still advocate it’. Adding that their rapid economic development in the recent past was ‘despite, not because of’ the Washington consensus, Desai adds that ‘countries whose governments were able and willing to resist this model developed faster’. Noting that ‘all BRICS countries have become more conscious of this since the onset of the current financial and economic crisis’ and concludes by observing that ‘the BRICS common agenda of pushing international economic governance away from neoliberalism and western dominance was also manifest when they complained that austerity in the west was holding back world growth and that the central banks' unconventional monetary policy encouraged speculation worldwide rather than growth domestically’.

5 Conclusion

The rise of the BRICs over the last decade and a half is a story of regional economic powers becoming increasingly important global political actors. With the promise of new global financial institutions to rival the post-World War 2 western constructs of Bretton Woods, we stand on the cusp of a new era of multilateral international economic and development politics. Furthermore, this global political ascendancy has generally reinforced the standing of BRICS countries as both economic and political leaders in the region – indeed it was precisely on the political grounds of regional leadership that South Africa was included in the BRICS in the first place.

However, the BRICS are an interesting case of political life imitating economic art, as they were coined as an investment meme by a Goldman Sachs bank to help western capitalists make money. While the construct worked in the sense that foreign investment flowed into the BRICS, it also revealed deeper processes of global economic integration reflected by emerging market growth such that traditional patters of manufacturing, consumption, wealth and financing are beginning to undercut simple north-south divides. Hence the debate about whether it is really the BRICS, or MINT or the EAGLES or just India and China that come to dominate the world economy, must be set against the re-spatialisation of wealth and poverty in ways that coincide less and less with national boundaries. Perhaps one day all billionaires will live in Singapore with the cities of the globe fragmented into sub-cities framed along socio-economic and identity lines. Thus the north–south divide may not so much disappear as be decentralised to sub-national and sub-city level.

The theme of the re-spatialisation of economic well-being brings us to the question of the relationship of regions to the globe, and in this regard is seems pretty clear that global recognition has reinforced the regional standing of most of the BRICS, if not all. Notably, the mutually reinforcing logic of global recognition and regional leadership for BRICS does not necessarily mean that the rise of the BRICS is good for the wider regions themselves. Much seems to hang on the nature of economic and political architecture within regions, such that (arguably) the ascent of Brazil may harm Argentina while the ascent of China helps South Korea. Notably, South Africa’s ascent seems mostly limited to southern Africa with other BRICS more influential to the north.

A closely related debate is whether the BRICS are effective serving as sub-imperialists by better integrating the regions into global neo-liberal capitalism, or empowering emerging economies by offering a wider range of economic choice. For example, the BRICS bank and Contingent Reserve Arrangement may introduce greater choice for emerging countries in terms of loans and their conditionalities that will allow for countries to choose policies that are not rigidly neo-liberal and more statist. It also implies that we can expect greater variation in macro-economic policy across the capitalist system, with different states and regions making these choices in different ways. What constitutes a significant difference from the neo-liberal norm is a matter of vigorous debate.

In line with the latter view, the rise of the BRICS can also be read as symbolising the rise of global capitalism, but not necessarily the neo-liberal version embedded in the Washington consensus, as at both home and abroad the models of business and development embraced by the BRICs have strong statist elements, and are also informed by an anti-western identity politics that is important for global political dynamics. Notably, this politics does not necessarily lead to democratic political outcomes such as greater democracy at home, given Taylor's observations about the elite bias of most policies, but is better understood in terms of greater pluralism in elite forums of international politics and economics.

Lastly, speaking to the focus area of BICAS, while greater pluralism in macro-economic policy opens up more possibilities for innovation, the elite bias of policy thinking to date suggests that even if agriculture and rural development are not defined in strictly neo-liberal terms, they will more than likely be framed in capitalist terms friendly to elites. It also means that reflecting on future of rural agriculture will require understanding both the policy approach and history of the particular state (and elites) in question, as well as its relation to larger agro-business dynamics at the regional and global levels. It seems unlikely that an economically more plural global capitalist system and a politically multilateral world will result in policy convergence – but it is equally unlikely that this will be at the cost of local and national elites.

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