BRICS IN THE CONTEMPORARY GLOBAL ECONOMY: PROSPECTS AND CHALLENGES

PRAVEEN JHA
AMIT CHAKRABORTY

OXFAM INDIA WORKING PAPERS SERIES
May 2013
OIWPS - XVIII

ऑक्सफैम इंडिया
OXFAM
India

ABSTRACT

The rise of the countries that constitute BRICS is significant in the contemporary global economic and geo-political arena. The 'new pack', Brazil, Russia, China and South Africa who form the BRICS are some of the fastest growing 'emerging economies' that are being talked about as the new drivers of the global economy, in a context where the US and Europe are in the midst of a serious economic crisis.

Celebrating the relatively high growth witnessed in the BRICS countries needs to be tempered by the fact that these economies are riddled with large regional disparities, growing inequalities, substantial unemployment and significant levels of poverty. Contrary to popular perception, this paper argues that neoliberal growth is not the solution to these problems; rather, the very nature of accumulation in these economies aggravates these fundamental economic problems. The current obsession with growth distorts the priorities that these developing countries should focus on – essentially, greater autonomy and co-ordinated efforts to defend the well-being of their citizens. A growth process driven by a neoliberal policy regime is also inherently fragile, short-sighted and exclusionary.

Authors: Praveen Jha and Amit Chakraborty

Praveen Jha is on the faculty of the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi, India and **Amit Chakraborty** is a research student at the Centre.

We express our gratitude to the participants of the panel discussion organised by Oxfam on 27 March 2012, at the India International Centre (IIC), New Delhi - particularly Neera Chandoke, Sachin Chaturvedi and Rajeev Malhotra, for their valuable comments and inputs.

Published by: **Oxfam India**

CONTENTS

INTRODUCTION

In the last three decades, the overall macro-economic policy regime and associated development agenda in the global economy has seen a significant shift. The dominant prescription has been to rely on free market forces, with an increasing reorientation of the role of the state in economic affairs.

In this context, the BRICS nations – Brazil, Russia, India, China and South Africa (which became member of the group in 2011) – have drawn global attention as the new drivers of growth, especially after showing signs of early recovery in the aftermath of the global financial crisis in 2007-08.

The acronym was originally coined as BRICs by Jim O'Neill of Goldman and Sachs in 2001.[1] This was followed by a defining report from the same organisation, which argued that large emerging economies such as Brazil, Russia, India and China have a growth potential that could potentially replace the European economy in terms of market size, and that China would replace the US as the leader of the global economy by 2050.[2]

Yet, there were reservations, which were expressed around the time of the first BRICs Summit (2009). Apart from the fast growing economy and large population, the regional alliance shared no significant regional, cultural or political basis for an alliance. However, the perception that these countries had been able to bear global, economic shocks enabled the idea of BRICs to gain acceptance.

This paper argues that the neoliberal growth strategy followed by these countries is not the solution to the problems of unemployment, poverty, regional disparity and inequality. Rather, the nature of accumulation in these economies tends to put pressure on a whole range of basic well-being indicators of the masses, for instance, mean years of schooling, life expectancy, inequality index, hunger index and poverty and malnutrition. In other words, a growth-led strategy which places market fundamentalism at its centre, has taken precedence over a development-focused agenda that prioritises equity and social justice, in the BRICS countries.

The *first section* of this paper locates the BRICS within the changing global economic and geo-political context, and provides an analysis of their economic performance, particularly after the global economic crisis. In the *second section*, an overview of their respective development trajectories is provided. The *third section* presents an overview of recommended policy priorities for the BRICS to pursue in the future. In the *fourth section,* challenges and opportunities for BRICS are analysed, within the particular framework of the BRICS Summits. In the *final section,* we analyse the possibility of the BRICS working alongside other emerging economies to articulate an alternative development strategy, which prioritises equity, well-being and social justice.

BRICS IN CONTEMPORARY GLOBAL ECONOMY

At least 43 per cent of the world's population lives in the five BRICS countries[3]. They also account for 17 per cent of global trade and about 25 per cent of global GDP, computed on the basis of purchasing power

[1] Jim O'Neill 2001, 'Building Better Global Economic BRICs', Global Economics Paper No. 66, Goldman Sachs, 30 November, http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf
[2] Wilson and Purushothaman, 2003
[3] BBC NEWS Business, 26 March, 2013, www.bbc.co.uk/news/business-21923874,

parity[4]. They currently generate almost half of the growth of the world economy, and account for more than one third of global foreign reserve[5]

These countries have also become important resource suppliers for the industrialised states. Additionally, these countries possess sufficient market size, and represent attractive sites for foreign investment. These economies also complement each other. To cite an example, China, a major exporter of consumer goods is supported by services from India's information technology sector, by Russia's dominance in the natural gas market and the competitive goods of Brazil's primary sector. It is speculated, with the current growth rates persisting, China and India will be the dominant global suppliers of manufactured goods and services by 2050, while Brazil and Russia will become the principal suppliers of raw materials and primary commodities.

The BRICS have undergone major institutional transitions and changes in their economic structure since the Second World War. The governments in most of these countries entered this period with fresh waves of social revolution or national independence, with a strong recognition of the need to catch up. Post-war policies involved state-led growth, and were fuelled by ambitious multi-year industrialisation plans with varying degrees of success. All development plans were centrally planned with the economic approach decidedly inward in orientation. State intervention was considerable until the 1980s in Brazil and China, and until the 1990s in Russia and India. These countries are currently in favour of freeing market actors and reducing the role of the state.

For instance, Brazil has one of the most advanced industrial sectors in Latin America. The country's diverse industries which include automobiles and parts, machinery and equipment, textiles, shoes, cement, computers, aircraft, and consumer durables account for roughly one-third of its GDP. Brazil is also a major world supplier of commodities and natural resources, with significant operations in lumber, iron ore, tin, other minerals, and petrochemicals. The country has a diverse and sophisticated services industry as well, which includes developed telecommunications, banking, energy, commerce, and computing sectors. The economy of Brazil has two supporting poles: the National Development Bank (BNDES) and the energy group Petrobras, mostly held by the state.

Russia is rebuilding its economy after almost two decades of turbulence since the collapse of the Soviet Union in 1991. This is on the back of significant natural resources, a pool of skilled labour, and other important prerequisites to sustain its economic growth. Russia's heavy reliance on commodity exports had made the country vulnerable to the global economic crisis. However, with rising oil and commodity prices, signs of recovery were evident in 2010.[6]

With regards to India, real GDP growth has accelerated from around 3.5 per cent per annum in the 1960s and 1970s to average annual rates of 5.4 per cent in the 1980s, 6.3 per cent in the decade starting 1992-1993, and around 9 per cent since 2003 till 2007-08. The global economic crisis affected India, but the growth rate was maintained at 6.7 per cent in 2008-09, 8.4 per cent in 2009-10, and decreased to 6.5 per cent in 2010-11.[7]

---

[4] Ibid.
[5] Foreign Policy, November 2012, www.foreignpolicy.com/articles/2012/10/8/think_again_the_brics
[6] For detais see Gady, Clifford G. and Ickes, Barry W. (2010). Russia after the Global Financial Crisis. Eurasian Geography and Economics, 51(3).
[7] http://data.worldbank.org/country/india

China became the second largest economy in the world in 2010, overtaking Japan. By maintaining the Yuan at a low exchange rate, the country attracted foreign investment worth USD 171 billion in 2008, USD 131 billion in 2009, USD 243 billion in 2010 and USD 223 billion in 2011)[8]. It also maintained impressive economic growth rates: 13 per cent in 2007; 9 per cent in 2009 and 10.5 per cent in 2010[9]. Since China's growth is primarily export-led, the global slowdown and reduction in demand in the US economy has forced the country to rethink its growth strategy.

South Africa, in the period between 2003 and 2008, experienced growth at a consistent rate: 3.5 per cent in 2004, 4.9 per cent in 2005, 5 per cent in 2006, 5.1 per cent in 2007 and 3.1 per cent in 2008[10]. Its increasing economic and geo-political significance within the African region resulted in its integration with the BRICS.

In the case of India and China, the crisis of 2008-09 did not really slow down their economic progression. According to official statements, China experienced only a minimal decline in its GDP growth rate in the years of crisis. Brazil briefly suffered a growth cut, but quickly reverted to its growth path. Russia experienced a sharp slump in 2009, but its economy was soon on the mend. The BRICS nations have followed growth trajectories which are export-led, and led by foreign investment. This is mirrored in their respective current accounts.

China and Russia have been experiencing a current account surplus for many years now. In China, especially, exports have been the main driving force of the economy. In contrast, domestic consumption is still at a low level. The resulting high savings ratio makes the country an important net creditor in the international capital market. In Russia, the export economy, which is mainly based on natural resources, remains limited in the long run.

In contrast to China and Russia, India's economic growth has been supported by strong capital imports. Consequently, India currently shows a current account deficit – a clear sign of total imports having exceeded exports. With such capital inflows, which mainly consist of portfolio investments, there is always the risk that investors may suddenly withdraw their capital. For this reason economic development which is mainly based on foreign capital inflow is considered to be risky in the long run.

Besides India, Brazil and South Africa have also shown long periods of current account deficits. In Brazil, the booming domestic demand is the main reason for strong imports. In South Africa, current account deficits are also a result of regional integration contracts, which force countries like Namibia to invest a considerable part of their own current account surplus – and thus their domestic savings in the neighbouring country.[11]

All these countries accelerated their growth rate by taking advantage of the rising global demand before the global economic crisis. Even so, in a scenario when global demand is stunted, the desirable path for the countries following a development strategy based on external demand – particularly China and Russia – would be to make a transition to a growth path based on domestic income growth and consumption through diversification of markets and production.[12] In other words, it would be correct to continue the transformation from export-led to domestic demand-led growth in economies.

[8] http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD
[9] http://data.worldbank.org/country/china
[10] http://www.indexmundi.com/g/g.aspx?c=sf&v=66
[11] Schrooten, 2011
[12] Kregel, 2009.

Significantly, there has been growing co-operation among the BRICS itself, and with other developing countries. Although the USD 230 billion trade that the BRICS now have among themselves is still a small fraction of their overall trade, the amount is growing at a rapid rate, with a rate of 28 per cent reported in 2011[13] - higher than the growth rate of world trade reported in the same year. For some of these countries, neither the United States nor the European Union is the largest trading partner.

Prevalent growth patterns among the BRICS countries are also becoming interdependent. China is responsible both for the reduction of prices of labour-intensive, manufactured goods, which affect producers in other developing nations including the other BRICS countries. The country's growth has also fuelled increased commodity demand. It has been responsible for the rise of relative prices of many commodities that stimulate the demand for raw materials and energy in other parts of the developing world. India's growth has also had a major influence on the price increase for specific commodities, especially petroleum. For instance, the relative strength achieved in the last few years of the Brazilian trade balance can almost be wholly attributed to the effects of Chinese demand for such commodities. The complex interdependences of a globalised economy make the multilateral trading system even more important. South Africa, the newest member of BRICS, is often perceived as the gateway to the African continent for China and India.

BRICS – FROM AN ACRONYM TO AN ALLIANCE?

In the last decade, as developing countries grew on the global stage, a number of alliances emerged. This is reflected in South-South trade, technology transfer and increased bargaining power of the developing countries in global platforms on climate change, food security and agricultural trade. Yet, apart from exchanging information, discovering common needs and interests and collective bargaining in international platforms, concrete outcomes of these alliances have been limited. With the global economic crisis allowing emerging economies to gain leverage internationally, the BRICS emerges as an alliance which has potential. After the global financial meltdown, there was an opportunity for these countries to push for a new financial regime. The first BRICs summit, with Brazil, Russia, India, China as participants, took place on 16 June 2009, in the midst of the global economic crisis, in Yekaterinburg, Russia. The second BRICs summit was held on 15 April 2010 in Brasilia, Brazil. The third summit took place in Sanya in Hainan island, China on 14 April 2011, which saw South Africa's participation for the first time. The fourth summit was held in New Delhi, India on 28 March 2012.

The stage for BRICS cooperation had been set at the third BRICS summit. The "Sanya Declaration" section 15 states, "the governing structure of the international financial institutions should reflect the changes in the world economy, increasing the voice and representation of emerging economies and developing countries." During the New Delhi summit, this position was reiterated. The slow pace of quota and governance reforms at the International Monetary Fund (IMF) was noted and the BRICS called for the candidature of the World Bank's President's post from developing countries.

The group also decided to explore the possibility of establishing a Development Bank "for mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development". If these initiatives are carried forward, the monetary

[13] http://www.southafrica.info/global/brics/ndp-250313.htm

and financial architecture can facilitate a mechanism to finance imports to other developing countries including low-income countries (LICs) and deliver a market for them. The proposed development bank would also provide an alternative to the dominant financial institutions, and their associated structural adjustment conditions and policies.

The BRICS has an important role to play with regard to agricultural issues and food security. At the Delhi summit in 2012, the BRICS countries reiterated their task ahead "for the successful conclusion of the Doha Round, based on the progress made and in keeping with its mandate". The Doha Round, which began in 2001 under the aegis of the World Trade Organisation, aims to lower trade barriers around the world. At a meeting on 26 March 2010, agriculture ministers of the BRICS countries agreed to cooperate on food security, to set up a database on demand and consumption of food, to share experience in management and distribution of food stocks to vulnerable populations, to set up climate change adaptation regimes and to develop technological innovation for agriculture.[14] In a Joint Declaration of the Second Meeting of BRICS Ministers of Agriculture and Agrarian Development in Chengdu, China, 30 October 2011, they adopted a plan to set up the "BRICS Strategic Alliance for Agricultural Research and Technology Cooperation" to take joint initiative for technological innovation in agriculture, and work on an "Action Plan 2012-2016" for Agricultural Cooperation of BRICS countries, which identified five priority areas. Each area would be coordinated by a BRICS member. At the Delhi summit, food security of Africa's low-income countries was also discussed. This indicates an important focus for the future: greater cooperation with the African continent. Other important areas have also been taken up in the various summits: climate change, 'green economy' and 'sustainable agriculture'.

The BRICS can gain most as a group by addressing the internal challenges of public policy, such as poverty and inequality, and the agrarian crisis, by strengthening social infrastructure, and balancing regional disparities while they all try to maintain growth and stability.

Although Brazil still has quite a high Gini coefficient – an index of inequality of income and wealth – its efforts to reduce inequality and emphasis on social infrastructure has been an important lesson for other BRICS countries facing similar problems. Similarly, India's experience in poverty reduction is often put forward as a positive example. In the case of China, the legal right of people in villages to access their land has been an important social security factor. The stability of the Chinese economy during the global financial meltdown has been significant. The experiences of Development Banks in China or Brazil also provide important lessons for other countries.

Yet there are criticisms that the BRICS countries need to address. As discussed earlier, the growth strategy needs to shift from an export-led mechanism to a domestic consumption-based system. On another count, trade among these countries is essentially corporate-drive, and it appears to be replicating the same problems experienced by North-South trade.

It becomes important how these countries define 'development' for themselves. Splitting the agendas of 'growth' and 'development' and relying on corporate-led growth in the capitalist segment or a 'bubble' like real-estate boom cannot be the foundation for a pro-poor growth agenda. The much-discussed issues of 'sustainable agriculture', 'green economy' or renewable energy remain sub-ordinate to the priority on 'growth'.

---

[14] Dubochet, 2011.

It also becomes important how these countries engage with the issue of extraction and the use of global natural resources. A report by The Worldwatch Institute (2006) highlights that if China and India, were to consume resources and produce pollution at the current US per capita level, it would require two planet Earths just to sustain their two economies.[15] The solution, therefore, is not for emerging economies to try and replicate the lifestyles of advanced capitalism, but rather for advanced capitalist countries to reduce their own levels of consumption and waste generation.

RICH COUNTRIES, POOR PEOPLE - IS GROWTH THE SOLUTION?

All BRICS economies have low per-capita incomes (except Russia), economic backwardness, a large informal sector, unemployment, inequality, and poverty even as the growth process is unable to respond positively to these problems. This is mirrored by the position of these countries in terms of human development index (HDI) and similar development indicators. For example, the HDI rank has progressively fallen between 1991 and 2011 for all countries. In spite of economic growth, the mass of the population in the five countries have low purchasing power and suffer from poverty, illiteracy, low life expectancy (see Tables 4, 5, 6, 7 and 8 in Appendix).

India is estimated to have a third of world's poor, and hunger is a serious issue. The GHI (Global Hunger Index) for India in 2011, on a scale of 100 is calculated at 23.7, considered alarming. The figures for China have seen a better progression, although the GHI index of 5.5 in 2011 indicates that hunger has still not been eradicated (see Table-8).

Poverty has been a serious concern for both these countries. An official estimate for China shows that nearly 16 per cent of total population was below the poverty line (less than USD 1.25 per day), and in 2009 almost 36 per cent of total population earned less than USD 2 per day. The rural-urban divide has become more pronounced. According to China's National Bureau of Statistics, the urban per capita annual income in 2009 (USD 2,525) was approximately three times than that of rural per capita annual income, and was the widest income gap recorded since 1978. In the case of India on the basis of new methodology to estimate poverty proposed by Tendulkar Committee Report in 2009, nearly 37.2 per cent of the population can be said to be below the poverty line, using the criterion of consumption.[16]

In Brazil, though there is a decline in inequality, the overall level does remain high. Although in recent years the official data shows a decline in inequality, it still has a high Gini coefficient (0.543 in 2009 compared to 0.596 in 2001)[17]. Due to an expansion of export-driven agriculture and consequently high land ownership concentration, a pro-rich tax system, high rural-urban divide, income disparity has been a long standing problem. According to the census of 2010, 25 per cent of the population still lives on an average per capita monthly income of up to Brazilian Real R$ 188 (about USD 95), and half the population of up to R$ 375 (about USD 190), compared to the minimum wage of R$ 510 (about USD 258) in 2010[18].

In China, India and South Africa, the per capita income in urban areas rose higher in comparison to rural counterparts[19]. In China, spatial inequality in terms of resources and services grew rapidly because of

---

[15] Singh, Pritam. (2008)
[16] The Indian Express, 9 December 2009, www.indianexpress.com/news/37.2-of-india-is-in-poverty-by-criterion-of-consumption/551849/
[17] Limoeiro Danilo, "Beyond Income Transfer – The Causes of Regional Inequality Decline in Brazil During the 2000s", July 2011
[18] Daily Maverick, 15 August 2012, www.dailymaverick.co.za/article/2012-08-15-brazil-and-south-africa-united-in-inequality
[19] OECD (2011):"Divided We Stand: Why Inequality Keeps Rising"

the differences within provinces. The rural-urban inequality index, as measured by Kanbur and Zhang, increased from 65.1 in 1994 to 66.9 in 1998 to 72.0 in 2004; inland coastal inequality index increased from 5.9 in 1994 to 9.4 in 1998 to 11.6 in 2004.[20] The unequal access to health and education for urban migrants and the rural population reinforced the process of unequal distribution of wealth. In the recent past, social security in rural areas seems to have improved. In India, the fruits of growth are mainly concentrated in the richer states and urban centres, while the poorest and most populous states have increasingly lagged behind, reinforcing spatial inequality. In terms of per capita nominal GDP in the financial year 2011-12, it was Rs.1,75,812 for Delhi, Rs.108,859 for Haryana, Rs.101,314 for Maharashtra, and Rs.23,435 for Bihar, Rs.30,051 for Uttar Pradesh, Rs.35,652 for Jharkhand, whereas average per capita income in India was Rs.61,564.[21]In South Africa, inequality also reflects the inequality between races – Africans, Coloureds, Asians and the Whites. National survey data from 1993, 2000 and 2008 show that South Africa's high aggregate level of income inequality increased between 1993 and 2008, and the same is true of inequality within each of South Africa's four major racial groups.[22] South Africa, in spite of decent growth rate has a very high Gini coefficient of 0.631 in 2012, with almost one-fourth of its population unemployed.[23]Russia also has regional disparities, which has increased since transition started in 1990s. Western regions have urban concentrations, Eastern regions have de-population and the rural regions far away from urban centres are starved of resources[24].

The present growth trajectory has led to an economy split between the beneficiaries, the 'emerging middle class', and the losers, the latter outnumbering the former. How has this come about?

Over the last few decades, the global economy has changed significantly: finance capital has come to dominate over the real economy; global production has travelled to places with cheap labour, with the reduction of the bargaining power of labour vis-a-vis capital, primitive accumulation through a resource grab. Development under neo-liberal capitalism is characterised by dominating market forces as the primary drivers of growth.

How has this come about? To draw investment, remain competitive in the export market and present itself as a lucrative destination of capital, the BRICS economies have heavily depended on their cheap labour - which has whittled down the bargaining power of labour against capital. The informalisation and contractualisation of the labour markets have become dominant phenomena in production. The reservoir of unemployed labour and the huge informal sector has put pressure on the wage rate in the formal sector and helped keep the real wage low.

In a scenario where resources are the last frontier of growth, there is a continuous flow of resources from the non-capitalist segment of the economy to the wheels of capitalist production for keeping the return to capital high. Thus impoverishes the huge non-capitalist segment of its natural resources like water, minerals etc. At the same time, food has increasingly become a commodity traded on the international market, to feed the 'first world'.

For pro-poor growth, sufficient emphasis should be placed upon a different set of sectoral issues, where incremental improvement impacts the well being of the people significantly, generates employment and

---

[20] Gajwani, Kanbur and Zhang (2006)
[21] Released by Planning Commission, Government of India for the year 2011-12
[22] Leibbrandt, M. et al. (2010),
[23] www.housingfinanceafrica.org/country/south-africa
[24] Benini and Czyzewski (2007)

thus plays a crucial role in addressing poverty or inequality. The role of the state in terms of priority lending, public infrastructure in agriculture, strengthening of development banks to boost the purchasing power of large mass of the people are some of the important measures in this respect.

CHALLENGES AND PRIORITIES FOR INDIA

The boom in the Indian economy since the turn of the Millennium has been fundamentally dependent upon greater global integration, which has also made the growth process more uneven and vulnerable to internal and external crises. As Chandrasekhar and Ghosh (2007, 2009) argue, recent growth was the result of financial deregulation that sparked off a retail credit boom, fiscal concessions that spurred consumption among the richest quintile of the population and a rise in private corporate investment. This led to rapid increases in aggregate GDP growth, even as deflationary fiscal policies, poor employment generation and persistent agrarian crisis reduced wage shares in national income and kept mass consumption demand low. The pre-reforms emphasis on public spending as the principal stimulus for growth was thus substituted in the 1990s with debt-financed housing investment and private consumption of the elite and 'new' middle classes. The Indian growth story in its essentials was therefore not unlike the story of speculative bubble-led expansion that marked the experience of several other developed and developing countries in the same period.

During the reform period, the tertiary sector has seen rapid expansion, but growth of commodity producing sectors, in particular, agriculture and large segments of small-scale manufacturing have seen a sharp dip. Total capital formation in agriculture continues to suffer since sharply reducing public investment is not being compensated by rising private investment. There is no economic rationale for believing that "public investment crowds out private investment", which is the common deflationist argument for reducing the state's role in rural development. The contrary has been shown to hold for certain types of investment essential for an irrigation-dependent agricultural sector like India's.[25] The growth process is periodically coming under pressure on account of inflation, fed largely by supply bottlenecks from this sector.

Another major problem for the Indian economy is the insufficient generation of employment in the capital-intensive formal sector manufacturing. As agriculture shows signs of stagnation in absorbing labour, the surplus population is joining the informal sector. The growth of the formal sector has failed to generate employment and absorb labour from the informal sector. Unemployment, under-employment and self-employment have resulted in poverty and malnutrition. During the period of economic reforms, there was a marked increase in the share of informal employment in Indian economy.[26] India is ranked just 134 in the HDI. As mentioned earlier, the GHI or proportion of undernourished in the population remains alarming for India throughout the last two decades.

To focus on just growth is therefore deeply problematic. The situation calls for greater responsibility of the state to take a proactive role to invest in agricultural infrastructure, to ensure universal food security and access to health and education, to generate employment in order to increase purchasing power of the people and to regenerate growth on internal demand.

[25] Patnaik, Utsa,2007
[26] NCEUS report:" The Challenge of Employment in India – An Informal Economy Perspective", Vol-1 (April, 2009)

BRICS AND G20 VIS-À-VIS THE DOMINANT GLOBAL ECONOMIC AND GEO-POLITICAL ORDER:

The BRICS in conjunction with the developing countries within the G20 have the possibility of being a bulwark against the dominant economic interests represented by the US and other advanced capitalist countries who form the G7. The advent of the BRICS in the wake of the economic crisis is a case in point. The BRICS countries all share strong economic and political relationships with other African, Latin American and Asian countries. In the light of the decisions taken at the BRICS Delhi summit, BRICS has the potential to bring about a change in the international economic order by using a common currency in trade, and sharing their own science and technology to improve and transform in agriculture, energy, and industrial sectors. The share of these major developing economies in world output has risen steadily in recent times, from 18 per cent in 2000 to 28 per cent in 2009. The question is – will there be any reconfiguration of present dominant economic and geopolitical order? The role of the BRICS is becoming crucial in this respect.

There is a clear historical correlation between the balance of power and the rules of the multilateral system. In the past sixty years or so, the asymmetries of power have been a necessary component to the updating of the trade regime. The power configuration prevailing at the time of the establishment of the GATT (General Agreement on Trade and Tariffs) in 1948, and throughout its rounds of negotiations, was clear: the US and Europe were the trade powers and rule-setters of the multi-lateral trade regime. To take an example, the conclusion of the Uruguay Round (1994) came only after an agreement was struck between the US and Europe on agricultural trade, which was presented to the whole membership as a *fait accompli*. The bargain accommodated their reciprocal interests and, as a result, agriculture remained the most distorted part of international trade. In agricultural trade, for instance, obligations applying to Brazil, China, and India are significantly stricter than those applying to the USA, EU, and Japan. The world has changed profoundly over the last decade. Reforming the multilateral trading rules in order to provide a level playing field and to reflect the new balance of power, interests, and views is the challenge and main objective of the Doha Round (which commenced in 2001) and a necessary step for the WTO, as an institution.[27] The deadlock of the Doha Round and the bargaining of BRICS and allied developing countries against the Western powers is a positive indication in terms of mutual co-operation of BRICS and developing countries in G20.

However, there are also reservations about the way these new economic powers are exercising their power. Business groups based in these countries, both in the public and the private sector, are dramatically expanding and consolidating their transnational ventures. In 1990, the emerging economies accounted for just 5 per cent of the flow and 8 per cent of the stock of global foreign direct investment (FDI). By 2006, FDI (including mergers and acquisitions) from developing countries accounted for 14 per cent of the world's total, giving these countries a 13 per cent share of the stock of global FDI.[28] Thus it is a matter of concern whether they will end up replicating similar hegemonic relationships with less developed countries and ultimately be co-opted into the global hegemony.

CONCLUSION:

As this paper argues, the growth strategy currently pursued by the BRICS countries cannot respond well to the problems of poverty, inequality, unemployment or regional backwardness. The global economic crisis

[27] Baracyhy (2012)
[28] www.oecd.org/dataoecd/9/2/44246197.pdf

has exposed the myth of market fundamentalism quite sharply, and has also brought back the role of the state in economic discourse. The global slowdown has also created the conditions necessary for these countries to focus on their internal markets, and create a solid foundation for sustainable growth and development.

To this end, the BRICS countries need to have a constructive engagement with other developing countries in the G20, in order to push for an alternative development agenda against the hitherto hegemonic global order. Their interventions on issues like the Doha Round negotiations or world peace in the context of Libya have been positive in this regard. However, Indian and Chinese expansionism in Africa, and the anti-labour policies promoted by the ruling elite in these countries raises fears that they may get co-opted into the global, hegemonic order, as junior partners. Thus, for some, the prominence of BRICS may ultimately lead to a situation where the interest of the ruling elites dominates over the broader interest of developing countries. Yet there are still others who believe that in the current context of global economic and geopolitical change, the role of the BRICS countries becomes all the more important in terms of ensuring the well being of the impoverished masses in their own countries, and defending the interest of the developing countries against the global hegemony – to the extent that the growth of the BRICS economies is beneficial for the overall development of the global south.

APPENDIX

TABLE-1 DIFFERENT INDICATORS OF BRICS IN THE PERIOD 2000-2010

	Brazil	Russia	India	China	South Africa
GDP in PPP in Billions US$					
2010	2172	2223	4060	10090	524
2000	1130	1120	2200	4500	369
GDP per capita in PPP in US$					
2010	10800	15900	3500	7600	10700
2000	7400	7700	2200	3600	8500
GDP growth rate in real terms (%)					
2010	7.5	4.0	7.5	10.4	2.8
2000	4.2	3.2	6.0	8.0	3.0

Source: www.indexmundi.com

TABLE-2: REAL GDP OF BRICS AS A PERCENTAGE OF GLOBAL GDP AT VARIOUS TIME POINTS

	1990	2000	2010
Brazil	1.98	1.94	2.15
Russia	2.79	1.43	1.78
India	1.15	1.49	2.44
China	1.74	3.58	7.55
South Africa	0.57	0.52	0.57
BRICS total	8.23	9.96	14.49

Source: United States Department of Agriculture (USDA), 2012

TABLE-3 EXPORT AND SHARE IN GLOBAL EXPORT FOR BRICS (IN THOUSAND MILLION US $)

	Export in 2000	Share in Global Export in 2000	Export in 2010	Share in Global export in 2010
India	44	0.69%	331	2.1%
China	213	3.3%	1274	8.4%
Brazil	57	0.89%	185	1.2%
Russia	42	0.65%	225	1.5%
South Africa	27	0.42%	87	0.57%
BRICS Total	383	5.95%	2102	13.77%

Source: UNCTAD STAT

TABLE-4: SOME INDICATORS OF BRICS COUNTRIES AT VARIOUS TIME POINTS

	Human Develop-ment Index (HDI)	Life expectancy at birth	Mean years of schooling	Expected years of schooling	MMR	Under Five (< 5) Mortality (Per 1000 Live Births)	National Poverty Line (%)	Gross National Income (GNI) per capita (Constant 2005PPP $)	Per Capita GDP (PPP $)
1990									
Brazil	0.600		4						4078 (1995 US$)
China	0.490		5.9						349 (1995 US$)
India	0.410		4.1						331 (1995 US$)
Russia	NA		NA						3668 (1995 US$)
South Africa	0.616		5.4						4113 (1995 US$)
2000									
Brazil	0.665	67.7	4.9			38	17.4 (1987-2000)		7625
China	0.588	70.5	6.4			40			3976
India	0.461	63.3	NA			96			2358
Russia	0.691	66.1	5.1			22			8,377
South Africa	0.615	52.1	6.1			70			9401
Recent values of indicators(in 2010)									
Brazil	0.718	73.5	7.2	13.8	58 (in 2008)	21 (in 2009)	21.4 (2000-2009)	10,162	10367 (2009)
China	0.687	73.5	7.5	11.6	38 (in 2008)	19 (in 2009)	2.8 (2000-2009)	7,476	6828 (2009)
India	0.547	65.4	4.4	10.3	230 (in 2008)	66 (in 2009)	27.5 (2000-2009)	3,468	3296 (2009)
Russia	0.755	68.8	9.8	14.1	39 (in 2008)	12 (in 2009)	11.1 (2000-2009)	14,561	18932 (2009)
South Africa	0.619	52.8	8.5	13.1	410 (in 2008)	62 (in 2009)	23.0 (2000-2009)	9,469	10278 (2009)

Source: Human Development Reports, UNDP, different years

TABLE-5 DIFFERENT HUMAN DEVELOPMENT INDICATORS FOR BRICS, YEAR 1991

	Brazil	Russia	India	China	South Africa
HDI	0.759	0.908	0.308	0.614	0.766
HDI rank	60	31	123	82	57
Life expectancy at birth	65.6	70.6	59.1	70.1	61.7
Adult literacy rate(%)	78.5	99	44.1	68.2	85
GDP per capita in PPP (US $ 1985-88)	4620	6270	870	2470	5480
Mean year of schooling	3.3	7.6	2.2	4.8	3.7

Source: Human Development Report 1991

TABLE-6: DIFFERENT HUMAN DEVELOPMENT INDICATORS FOR BRICS, YEAR 2002

	Brazil	Russia	India	China	South Africa
HDI	0.757	-	0.577	0.726	0.695
HDI rank	73	60	124	96	107
Life Expectancy at birth	67.7	66.1	63.3	70.5	52.1
Education index	0.83	0.92	0.57	0.80	0.88
GDP per capita in PPP (US$ 2000)	7625	8377	2358	3976	9401

Source: Human Development Report 2002

TABLE-7 DIFFERENT HUMAN DEVELOPMENT INDICATORS FOR BRICS, YEAR 2011

	Brazil	Russia	India	China	South Africa
HDI rank	84	66	134	101	123
Life expectancy at birth	73.5	68.8	65.4	73.5	52.8
Education index	0.663	0.784	0.450	0.623	0.705
Inequality adjusted HDI	0.519	0.67	0.392	0.534	-
Multidimensional poverty index	0.011	0.005	0.283	0.056	0.057
Gender inequality index	0.449	0.338	0.617	0.209	0.490

Source: Human Development Report 2011

TABLE-8: GLOBAL HUNGER INDEX

	1990	1996	2001	2011
Brazil	7.6	6.2	5.3	<5
Russia	-	<5	<5	<5
India	30.4	22.9	24.1	23.7
China	11.7	9.1	6.8	5.5
South Africa	7.0	6.5	7.4	6.4

Source: Global Hunger Index 2011, IFPRI, Welt Hunger Hilfe and Concern Worldwide

The Index combines three equally weighted indicators into one score: the proportion of people who are undernourished, the proportion of children under five who are underweight, and the under-five child mortality rate. An increase in a country's GHI score indicates that the hunger situation is worsening, while a decrease in the score indicates an improvement in the country's hunger situation.

TABLE-9: PROPORTION OF UNDERNOURISHED PEOPLE IN THE POPULATION (%)

(Average value of three consecutive years has been taken as each entry)

	1990-92	1995-97	2000-02	2005-07
Brazil	11	10	9	6
Russia	-	4	3	1
India	20	17	19	21
China	18	12	10	10
South Africa	5	5	4	4

Source: Global Hunger Index 2011, IFPRI, Welt Hunger Hilfe and Concern Worldwide

REFERENCES

Baracyhy, Braz. (2012). The Geopolitics of Mutilateralism: The WTO Doha Round Deadlock, the BRICs, and the Challenges of Institutionalized Power Transition. *CRP Working Paper No. 4.*

Benini, Roberta and Czyzewski, Adam (2007). Regional Disparities and Economic Growth in Russia: New Growth Patterns and Catching Up. *Springer.*

BRICS Joint Statistical Publication, 2011.

OECD (2011). *Divided We Stand: Why Inequality Keeps Rising.* OECD Publication, December 2011.

OECD (2012). Looking to 2060: A Global Vision of Long-term Growth. *OECD Economics Department Policy Notes No. 15, November 2012.*

EPW. (2011). Defending Mutual Interests: The Sanya Declaration Shows That BRICS is Slowly Getting its Act Together to Defend Mutual Interests. *Economic and Political Weekly Editorial, April 30,2011*

Ferrari-Filho, Fernando and Spanakos, Anthony. (2009). Why Economic Performance Has Differed Between Brazil and China: A Comparative Analysis of Brazilian and Chinese Macroeconomic Policy. *Revista Venezolana de Analisis de Coyuntura*

Gady, Clifford G. and Ickes, Barry W. (2010). Russia after the Global Financial Crisis. *Eurasian Geography and Economics, 51*(3).

Gajwani, Kiran, Kanbur, Ravi and Zhang, Xiaobo (2006). Comparing the Evolution of Spatial Inequality in China and India: A Fifty Year Perspective. *DSGD Discussion Paper No. 44, IFPRI.*

Ghosh, Jayati and Chandrasekhar, C.P. (2007). Recent Employment Trends in India and China: An Unfortunate Convergence? *ICSSR-IHD-CASS Seminar Paper*

Ghosh, Jayati, Mavlik, Peter, et al. (2009). Models of BRIC's Economic Development and Challenges for EU Competitiveness. *WIIW Research Reports 359*

Ghosh, Jayati (2012). Using the Potential of BRICS Financial Co-operation. *Frontline, 7th April 2012*

Jha, Praveen and Negre, Mario. (2007). Indian Economy at Sixty: Prospects and the Key Challenges at the Current Juncture, *www.macroscan.org*

Jha, Prem Shankar (2012) Delhi Could Be A Turning Point. *The Hindu,10 April 2012*

Kregel, Jan. (2009). The Global Crisis and the Implications for the Developing Countries and the BRICs: Is the B Really Justified? *The Levy Economics Institute of Bard College, Public Policy Brief.*

Kuboniwa, Masaaki. (2011). Impact of Trading Gains on Economic Growth in BRICs for 1995-2010: Some Lessons from BRICs. *RRC Working Paper, Series No. 31.*

Kumar, Rajiv (2012). BRICS can provide a fall-back option. *Asia Weekly, 6-12 April 2012*

Leibbrandt, M. et al. (2010),Trends in South African Income Distribution and Poverty since the Fall of Apertheid, *OECD Social, Employment and Migration Working Papers, No. 101, OECD Publishing*

May, Peter H. (2008). Overcoming Contradictions Between Growth and Sustainability: Institutional Innovation in the BRICS. *EN Working Paper*

Patnaik, Prabhat. (2011). Economic Growth and Employment. *Economic and Political Weekly, June 25, 2011*

Patnaik, Utsa and Natarajanm, Sriram, (2000). Output and Employment in Rural China: Some Post-reform Problems. *Economic and Political Weekly, September 16, 2000*

Patnaik, Utsa. (2007). Neoliberalism and Rural Poverty in India. *Economic and Political Weekly, July 28, 2007*

Prabhakar, Akhilesh Chandra. (2011). An Overview of the New Emerging Balance of Forces–The BRICS, G20 and G7: Response to the Global Financial Crisis. *Asian Economic and Financial Review, 1*(2), 67-82.

Schrooten, Mechthild. (2011). Brazil, Russia, India, China and South Africa: Strong Economic Growth–Major Challenges. *DIW Economic Bulletin 4, 2011*

Shaw, Timothi M. et al. (2007). Global and/or Regional Development at the Start of the 21st Century? China, India and (South) Africa. *Third World Quarterly, 28*(7).

Sekine, Eiichi. (2011). The Impact of the 3rd BRICS Summit. *Nomura Journal of Capital Markets, 3*(1).

The Worldwatch Institute, Annual Report 2006, www.worldwatch.org

Singh, Pritam. (2008). Contemporary Global Capitalism: Multi-pronged Crises. *Economic and Political Weekly, October 11, 2008*

Wilson, Dominic & Purushothaman, Rupa(2003). Dreaming with BRICs :The Path to 2050. *in Emerging Economiesand Transformation of International Business, (2006) edited by Subhash C. Jain, Edward Elgar Publishing Limited*

www.bricsindia.in

ऑक्सफैम इंडिया
OXFAM
India

Oxfam India, 4th and 5th Floor, Shriram Bharatiya Kala Kendra, 1, Copernicus Marg, New Delhi 110001
Tel: +91 (0) 11 4653 8000, Fax: +91 (0) 11 4653 8099
www.oxfamindia.org