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## Why the BRICS?: A Chinese view

### **Abstract**

Extract:

On November 20, 2011, Goldman Sachs' Chief Economist Jim O'Neil published an article entitled "The World Needs Better Economic BRICs", discussing the new economies of Brazil, Russia, India and China, and their roles in the global economic development. Because the initials of the English names of the four countries make the word "BRIC", the acronym has been pronounced as "brick". Therefore, the four countries are known as the BRICs/BRIC countries, among which Brazil is viewed as "the world's raw materials base", Russia as "the world's gas station", India as the "world office", and China as the "world factory". BRIC countries are the representatives of emerging economies, and are likely to become the world's largest economies in the coming decades.

### **Keywords**

Brazil, Russia, India, China, BRIC countries, world, economy, economies, economic, development

## ***Viewpoint:***

# Why the BRICS?: A Chinese View<sup>1</sup>

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## **From BRICs to BRICS**

On November 20, 2011, Goldman Sachs' Chief Economist Jim O'Neil published an article entitled "The World Needs Better Economic BRICs", discussing the new economies of Brazil, Russia, India and China, and their roles in the global economic development. Because the initials of the English names of the four countries make the word "BRIC", the acronym has been pronounced as "brick". Therefore, the four countries are known as the BRICs/BRIC countries, among which Brazil is viewed as "the world's raw materials base", Russia as "the world's gas station", India as the "world office", and China as the "world factory". BRIC countries are the representatives of emerging economies, and are likely to become the world's largest economies in the coming decades. Then in 2003, Goldman Sachs again in its ninety-ninth global economic report, *Dreaming With BRICs: The Path to 2050*, further predicted: BRICs will lead the world economy in 2050, and the United States, China, India, Japan, Brazil and Russia will become the new six biggest economies. The world economy will re-shuffle. In the following years, Goldman Sachs issued a few more BRIC reports, and the concept of emerging economies started to get more attention and acceptance from the wider international community. However, for a fairly long period of time, "BRIC" had been more a slogan than a real mechanism, with its form outweighing its content.

The first BRIC initiative was at the UN General Assembly September 2006, where BRIC foreign ministers met for the first time. This meeting is usually considered the embryonic form of the BRIC summit we see today. On May 16, 2008, foreign ministers of China, India, Russia and Brazil held a BRIC ministerial meeting in Yekaterinburg, Russia. This was the first meeting under the name of BRIC, and also the first session held on the territory of a BRIC country. In 2008 the outbreak of the international financial crisis brought

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1. The views in *The Culture Mandala* are those of the author(s) and do not necessarily reflect the views, position or policies of the *Centre for East-West Cultural and Economic Studies*. Bearing in mind the controversial debates now occurring in International Relations and East-West studies, the editors endeavour to publish diverse, critical and dissenting views so long as these meet academic criteria.

opportunities for further cooperation between the BRIC countries. In September 2008 and May 2009, foreign ministers held two meetings and decisions were made to carry out comprehensive cooperation among the countries on international issues such as the millennium development goals, South-South cooperation, energy and food security, and climate change among others.<sup>2</sup> In November, finance ministers met in Sao Paulo (Brazil) to discuss how to jointly cope with the economic crisis, calling for the reform of the international financial system. The importance of this is that it reflects the new changes in the world economy.

In June 2009, BRIC leaders held the first formal meeting in Russia, and issued the *Joint Statement of the BRIC Countries' Leaders*. In April 2010, the leaders of the four countries held the second meeting in Brazil, and also issued another joint statement. In November 2010, during the G20 meeting in Seoul, South Africa officially asked to join the BRICs. In April 2011, the third BRICs leaders summit was held in Sanya, China, and South Africa was invited to attend the meeting. Chinese President Hu Jintao gave a speech entitled "Future Prosperity", indicating a central aspiration of the organization. The five states jointly issued the *Sanya Declaration*, agreeing on consolidating on-going cooperation projects, launching new projects, and creating a specific action plan.<sup>3</sup> In December 2011, South Africa officially joined BRICs, making it the BRICS group.

The fourth BRICS summit was held right before the G20 summit in Cannes, France, but no statement was published. In March 2012 the fifth BRICS summit was held in New Delhi of India, with the theme of "BRICS Partnership for Global Stability, Security and Prosperity", and issued the Delhi Declaration and Delhi Action Plan.<sup>4</sup> At this summit, BRICS countries reached consensus on financial cooperation between banks, and for researching the establishment of a joint development bank to reduce reliance on the dollar. The sixth BRICS summit was held in Durban March 26-27, 2013 (there was an informal leaders meeting ahead of G20 summit in Los Cabos, Mexico in June 2012), with a theme of "BRICS and Africa: Partnership for Development, Integration and Industrialization." BRICS leaders decided to establish BRICS Development Bank and the Contingent Reserve Arrangement. The most striking characteristic of the summit is the wide and deep involvement by African countries. A total of 15 heads of Africa countries were invited to attend the meeting. BRICS countries demonstrated their willingness to work with African countries to strengthen their infrastructure, and to promote connections among African countries, as well as their belief in the potential of African development.

Thus, after the six summits, the main mechanisms of BRICS cooperation had been articulated. Member states take turns to hold formal sessions, including regular summit meetings and ministerial talks, plus aperiodic informal talks, business fora, and the creative use of "small talks" and "wider-range talks" on issues related to the interests of different

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2. BRICS official documents show detailed developments of the mechanism, at BRICS Information Centre at University of Toronto (<http://www.brics.utoronto.ca/>).

3. "三亚宣言 金砖国家领导人第三次会晤", 人民日报, 2011年4月15日第003版。

4. See <http://www.brics.utoronto.ca/docs/index.html>, accessed May 6, 2013.

member states. BRICS is moving rapidly from a pure concept to a substantial entity that defends the interests of emerging economies in international affairs.

### **Forces Underlying BRICS Development**

The fast development of the BRICS mechanism is not accidental; it can be attributed to the similar economic strength of these countries, their similar status in international politics and similar opinions on international affairs, coupled with the development of economic globalization, and the global financial economic crisis. It is the shared need to push forward international reform and global governance that brought these countries together, and these will continue to strengthen the BRICS mechanism in the future.

First of all, growing comprehensive strength constitutes the main force for the rapid development of BRICS. Entering the twenty-first Century, the overall strength of developed countries is relatively weakened. Economic crisis caused heavy losses in developed countries, and the recovery in the United States, the European Union and Japan was slow. In contrast, China, India, Russia, Brazil, South Africa and other emerging countries, firmly seized the opportunities offered by the economic globalization in the current era, and achieved great progress in comprehensive strength. In the 1970s, BRICS accounted for about 6% of the global economy, increased up to 9% in the 90s, and reached 18% in 2010. In international trade, the world export share of the BRICS increased from 7% in 2000 to 14% in 2010.<sup>5</sup> In addition, the BRICS generally have large land territory, population and abundant natural resources, all of which are great advantages in economic development. They also developed their “niche” industries, such as Brazil's agriculture and mining, China's manufacturing industry, India's software industry, Russia's energy industry, and the South Africa's mining industry. Enhancing their overall strength inevitably leads these countries to strive for a bigger voice and more important roles in the international arena and international affairs.

Second, the financial crisis of 2008 became the "catalyst" for the rapid development of BRICS cooperation mechanism. In fact, the formation and development of BRIC/S was almost synchronous with the evolving of the economic crisis. The crisis not only exposed the disadvantages of the old international political and economic order, but also triggered a heated discussion on the establishment of a new international order. Developing countries gradually realized that, in the face of crisis, the approach adopted by developed countries could not solve the problem. On the other hand, such an approach would only transfer the crisis from one country to other countries, and that could not effectively resist the negative effects on their own country and the wider world. As developed countries cannot solve the problem by themselves alone, efforts have to be made by developed and developing countries working together, to discuss countermeasures, and to meet the challenges of the crisis. However, the developing countries are loose and scattered in positions and opinions

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5. 卢锋, 李远芳, 杨业伟, “‘金砖五国’的合作背景和前景”, 《国际政治研究》, 2011年第二期, 第6页。

due to their different levels of development. There was not a mechanism in place or existing organization that worked effectively to connect and coordinate the developing countries. Acting alone, developing countries are likely to be taken advantage of, making it hard to defend and maintain the interests of the developing countries overall, not to say to fundamentally change the old international order that is unfair and unreasonable. It can be said that the rise of the BRICS was deep rooted in the inadequate and weak response by the current world economic system to the 2008 financial crisis. In this crisis BRICS countries were not permanently damaged by the deep crisis. Instead they managed to become the new power engines for the growth of the world economy. During the crisis, BRICS formed its summit mechanism and reached a great deal of consensus on how to cope with the financial crisis and how to reform the international economic and political order. It was the financial crisis that pushed the BRICS onto the centre of the international stage.

Third, similar strategic needs are the basis for the rapid development of BRICS cooperation mechanism. On the bases of enhanced strength, BRICS countries gradually formed converging strategic goals. The BRICS countries share a common philosophy in optimizing their industrial structure, improving the development environment, and raising the international status of the BRICS. As early as in 2008 and 2009 respectively, in the *Joint Communique* and *Joint Declaration* of the Yekaterinburg meeting, the BRIC countries showed the same attitude on a range of issues. They all felt the need to take full account of the interests of all countries to achieve sustainable economic development, promote the realization of the UN Millennium Development goals, fight against global poverty, promote the reform of the management system of the global economy through participation in multilateral organizations such as the G20, establish a more stable and diversified international monetary system, and enhance the voice and representation of emerging countries. In April 2009, the decisions made at London summit of the G20 to double IMF funds to \$750 billion, and also increase the SDR (Special Drawing Rights) to \$250 billion, was a response to the demands of the BRICS countries.<sup>6</sup> In addition, BRICS countries are seeking to establish a more democratic and fairer multi-polar world, are committed to promoting the multilateral diplomacy, support the central role of the UN, and oppose trade protectionism. Therefore, along with the deepening of their cooperation, BRICS countries became more and more aware that they share common interests in international affairs, and it is necessary to strengthen the dialogues, coordination and cooperation among themselves. They also believe that developing the emerging markets and enhancing the overall voice of developing countries would contribute to world peace, stability and common development. As an individual country, none of the BRICS would be able to achieve as much in severe competition with the well organized and well coordinated developed countries.

Last, good and complementary economic and trade relations are the impetus for rapid development of BRICS cooperation mechanisms. The BRICS countries have evolved their

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6. 甄炳禧, 张明, 倪建军, “创建超主权国际储备货币: 必要, 但很艰难”, 《世界知识》, 2009年9月, 第44-52页。

own specializations with different resources and specific industrial advantages during their pursuit of economic development and social progress. With China's advantage in manufacturing, Russia in the energy industry, Brazil in agriculture and mining and India in information technology industry, the four BRIC countries complement one another. With South Africa joining and Russia gaining membership of the WTO, the BRICS expect to create better opportunities in Africa, and are bound to achieve further development and the economic and trade cooperation among themselves and with African countries. In the post-crisis era, facing many common challenges ahead, the BRICS need to better coordinate and deepen their level of economic and trade cooperation in order to take fuller advantage of their complementarity in capital, resources, markets, technology and human resources. In addition, BRICS countries also have other cooperation mechanisms, such as the trilateral strategic dialogue among China, Russia and India, a quasi-alliance mechanism among these three countries. These different groups and mechanisms facilitate coordination of positions and formation of common interests at different levels.

### **Why China Cares**

As the largest developing country in the world, the role China plays in the development of BRICS is an important one. China has been the firmest supporter of this mechanism. Chinese leaders have attended all the BRICS summits. At the end of year 2010, when holding the rotating presidency, on behalf of the other members China invited South Africa to join the BRICs, and made a contribution to the expansion of the mechanism. In April 2011, China successfully held the third BRICS summit in Sanya, and together with other countries contributed to the discussions on the issue of the international economic and financial development, raising the voice of developing countries in the international arena. This is an effort to move the world towards a more balanced direction. China's new national leader Xi Jinping chose his first trip to attend the BRICS summit in South Africa, showing how much the Chinese leaders value BRICS cooperation.

At BRIC/S summits, Chinese leaders made important speeches and comments on the theme of BRICS cooperation. At the Delhi summit, India, leaders attended the cooperation agreement signing ceremony and jointly met with journalists. Chinese President Hu Jintao made the points that developments of BRIC countries is an important component of the world development as a whole, the BRICs cooperation conforms to global trends of peace, development and cooperation. Such cooperation promotes democracy in international relations. China has its ideal of building a harmonious world; the comments show that strengthening partnerships with other BRICs countries, and jointly promoting lasting peace and common prosperity will help China realize such a dream. China's new national leader Xi Jinping just participated in the BRICS summit in 2013 March. He said that a positive signal was delivered through the summit about BRICS countries' pursuit of peace, development, cooperation, and win-win goals. He believes that the BRICS should continue

their cooperation, for a better balanced world economy, more democratic international relations, and improved global economic governance.<sup>7</sup>

In fact, the reason why China attaches so much importance to the BRICS mechanism is because it conforms to the Chinese diplomatic traditions and current realities. We can say that developing relations with other BRICS countries is both a realistic choice for Chinese diplomacy in the twenty-first century and an innovation under the current trends of international relations. Specifically the reasoning is manifested in the following aspects.

First of all, emphasis on the BRICS mechanism is an important action for China to strengthen its relations with the developing countries. China is the biggest developing country, and repeatedly declared that "China is always a developing country". In the 1950s, China "sought common ground while reserving differences" on international conferences; in 1970s China put forward the "three worlds" theory in the UN General Assembly; and after the Cold War, China stressed the importance of developing countries in reforming international society. Therefore, strengthening relations with developing countries has been a focus of Chinese diplomacy over several decades. This is also consistent with what is said in the diplomatic formula "developing countries are the foundation." Except for Russia, the BRICS countries are all developing countries, are the largest developing countries, and are representatives of such countries in Asia, Africa and Latin America. China shares common views and similar positions with them on some international affairs. China also has a long tradition in its cooperation with these countries (particularly in South-South cooperation and in North-South dialogues) on issues such as climate change, UN reform, and how to achieve the millennium development goals. China is often seen to act with these developing countries shoulder by shoulder on such global governance issues. Traditional cooperation mechanisms include the "BASIC group" (cooperation among Brazil, South Africa, India and China on environmental and development issues), the "seventy-seven plus China group" (cooperation with the G-77) and the "Forum on China-Africa Cooperation" (FOCAC). The BRICS take the existing cooperation one step further in the context of the financial crisis. The invitation for South Africa to join the BRICs and invitation for a wider range of African countries to be part of the BRICS meeting this year especially show such an orientation for expanding and deepening cooperation with other developing countries.

Second, BRICS cooperation also shows the innovation of the Chinese diplomatic theory and practice in the post-Cold War era. From the early 1990s, facing the changes in the international community, China proposed a series of diplomatic ideas such as the establishment of a new international order that is fair and reasonable, multi-polarity, emphasis on being a responsible power, the democratization of international relations, and deployment of the 'harmonious world' concept. Originating from and embedded deeply in the traditional Chinese culture, these ideals may seem odd in a world as it is now and are hard to achieve by China alone. Therefore, it is an effort on the part of China to strengthen

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7. 习近平,“携手合、共同发展——在金砖国家领导人第五次会晤时的主旨讲话”,中央政府门户网站 [www.gov.cn](http://www.gov.cn), 2013年03月27日。

relations with the BRICS countries as well as other developing countries in order to approach those goals. On the issue of establishing a new international order, China and other BRICS countries do not intend to challenge the existing international order in a confronting manner, but instead hope to change the old and unfair international order in a progressive fashion. Just as China adopted reform to improve its own economy and politics, China's chosen approach to achieve a multipolar order and democratization of international relations for the international community is also through reform, not revolution. The BRICS mechanism works well in strengthening multilateral cooperation with emerging regional powers and among developing countries in general, and helps with coalition building among these countries to form coordinated positions in North-South dialogue. Working together, BRICS countries are more likely to present a clear and firm voice in the dialogue with the western countries, without resulting in unnecessary conflicts under the current international order dominated by these established powers. In addition, China as a responsible state and the leader of the BRICS economies is willing to shoulder larger international responsibilities. As its economic capabilities increase, China is seen to play a bigger role in the development of the third world. At this year's BRICS meeting at Durban, China proposed establishing the BRICS Development Bank, and an increase to \$20 billion of aid for African countries, which could be considered a gesture of such international responsibility. In short, active participation in the BRICS mechanism is part of the concrete practice of China's new diplomacy in the twenty-first century, and is the result of its 'international responsibility consciousness' as well as a reflection of the reality of China's economic strength.

Last, an emphasis on the development of the BRICS mechanism is also where China's national interests lie and a realistic aspect of China's development strategy. Since 1978 when China adopted the opening up and reform policy, Chinese economy has maintained about 30 years of rapid development. Now it has come to the stage where China needs to adjust the structure of development. On one hand, the interdependence between Chinese economy and world economy has increased greatly, and economic cooperation between China and other countries has been improved in depth and breadth; on the other hand, it also became urgent to find new sources for economic growth and raw materials suppliers and markets in order to maintain a stable and sustainable growth. But due to the economic downturn in Europe and America in the context of economic crisis, China needs to find stronger economic partners. BRICS countries as the representative of the emerging economies have maintained a rapid growth, which shows little of the negative effect of the economic crisis. With the financial crisis sweeping the globe, in 2009 the world economy suffered from a serious recession. But China and India have achieved growth rate of 9.1% and 7.6% respectively. Accompanying the rapid growth of economy, the BRICS export trades also expanded rapidly. From 2005 to 2009, Brazil, Russia, India, China and South Africa's export growth rates were 16.6%, 14.4%, 19%, 11.2% and 7.74%, which were all higher than the world's average annual growth rate 7.51%.<sup>8</sup> As the most dynamic economies, the bilateral trade between China and these countries has developed rapidly. For

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8. [www.worldbank.org](http://www.worldbank.org)

example, the bilateral trade volume between China and Brazil was \$9.1 billion in 2004, but in 2009 it reached \$36.1 billion, almost quadrupling within a five year period. At the same time, with increasing the economic strength, more and more Chinese enterprises started to adopt the "going out" strategy, making investments in the emerging economies. In this sense, it is also in line with the economic interests of China to strengthen the BRICS mechanism and promote BRICS cooperation. Coupled with the economic complementarities between the BRICS countries and similar stances in international affairs, the BRICS mechanism has naturally become a realistic choice for China.

## **Conclusion**

Based on the above analysis, we can conclude that BRICS is an emerging cooperation mechanism among the emerging states, especially developing countries in the context of the international financial crisis. By the collective cooperation, strengthening exchanges, and building consensus, the BRICS mechanism strives to obtain a greater voice in international community and the existing international order. By building coalition in pressing for a progressive reform in the international order dominated by the western countries, the BRICS along with other developing countries aim to achieve better international equality and justice. The strengths of the BRICS are clear: vigorous economy, common views on international affairs, mutually complementary economically, great potential for cooperation, and these should take the cooperation among these countries to a higher level. China is one of the strongest supporters of the BRICS mechanism and would like to take a key role in the development of this cooperation mechanism. China holds high expectations for the BRICS, and is willing to make contributions for its further development. With a vision of the institutionalization and expansion of the mechanism, the BRICS mechanism should become one of the new centres for international cooperation, and plays more important roles in the future.

However, challenges should not be overlooked. With all the hope it brings, the BRICS mechanism is still only a nascent one, whose further development and evolution is yet to be observed. Whether it could be institutionalized in the future and whether it could evolve into a more mature and stable form depend on the member states and the interests that work as driving forces. The BRICS countries are very different countries with diverse levels of development, differing social and political systems, and divergent histories and cultures. Understanding among the peoples of the BRICS countries is yet to be deepened, so that a more solid foundation gets established among these states. Differences in political and economic systems among countries often cause obstacles and even conflicts, and positions in dealing with international affairs need to be further coordinated. Problem resolution needs wisdom, accommodation and creativity. In addition, BRICS cooperation was a response to the financial crisis, so it became a question as to whether the mechanism would work as well without such challenges in the post-crisis era. It is a key issue to define the characteristics of this mechanism, and to identify future focus areas for cooperation, since this will be crucial for how far the BRICS can go.