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Times Topics

BRICS Group

Updated: April 20, 2012

The BRICS Group is made up of Brazil, Russia, India, China and South Africa.

The BRICS alliance has existed as a concept since 2001, when Jim O'Neill, a Goldman Sachs economist, identified Brazil, Russia, India and China as rising economic powers and argued that they should play larger roles in global economic policymaking, perhaps by joining the established Group of 7. Earlier, in the 1990s, Russia had already organized a triangular group with India and China — known as RIC — but the attention generated by Mr. O'Neill's formulation apparently prompted these three to add Brazil and create a new political club.

The first BRIC summit meeting was held in Yekaterinburg, Russia, in 2009, amid the uncertainty of the global economic downturn, with subsequent meetings held in Brazil and China. South Africa joined in 2011. That fall, Mr. O'Neill predicted that the group's combined economies, now worth almost $13 trillion, would double in the coming decade, eventually surpassing the size of the economies of both the United States and the European Union.

As their leaders gathered in India in March 2012, the five BRICS nations still ranked among the fastest-growing economies in the world, and, individually, their global influence continues to rise. But they have struggled to find the common ground necessary to act as a unified geopolitical alliance.

The BRICS are still a new group, and some analysts argue that with time they could become a more cohesive alliance. But for now, they are troubled by internal rivalries and contradictions that have stymied the group's ability to take any significant action toward a primary goal: reforming Western-dominated international financial institutions.

Since its inception, the group has discussed creating a development bank to rival the World Bank. Yet to date the proposal has been stalled, partly over worries that China would dominate the new institution.

The group was unable to agree in 2011 on a new leader for the International Monetary Fund, or to endorse a candidate in 2012 to lead the World Bank. In other spheres, the group has been splintered. National security and terrorism are common concerns, yet the members are not always in alignment, the most recent division being Iran's nuclear ambitions.

In April, members of the group pressed for greater influence in institutions like the International Monetary Fund and the World Bank, but also raised the notion of a BRICS bank to address the needs of the fast-growing emerging economies.

The idea faces a number of daunting hurdles, just as deep internal political and economic differences complicate the prospects for the group's unity. India, Brazil and South Africa are democracies and have already used their own separate trilateral group, IBSA, as a primary platform for coordinating positions on several major diplomatic issues.

Russia, however, has drifted away from democracy toward strongman rule under Vladimir V. Putin. China is the world's largest authoritarian state and has by far the largest and most powerful economy in BRICS, which creates a complicated dynamic. China is the heavyweight, and thus the natural leader of the group, except that it is the political outlier.

As such, distrust is high between India and China, whose border dispute, which goes back decades, is fueling a quiet military buildup on both sides.

Ending the Dollar's Dominance

The BRIC countries comprise about 15 percent of the world economy and, perhaps more important, have about 40 percent of global currency reserves. Brazil, India and China have also weathered the financial crisis better than the world as a whole; South Africa has the most developed economy south of the Sahara.

While they are far from a monolithic group, they are generally united in their frustration with the dollar's status as the world's reserve currency, which enables Washington to run budget deficits without fear of facing the kind of budgetary day of reckoning that other countries risk.

The excess dollars pile up in foreign central banks, leaving those countries with a difficult choice: reinvesting the dollars in United States securities or holding them and facing an increase in the value of their own currencies, making their products less competitive in world markets.

While there have been periodic complaints about the dollar through the years, the criticisms from the BRIC countries have become more frequent and more acerbic lately, and have included calls for a supranational currency to replace the dollar.

Senior officials in most of the BRIC governments — India, which does not depend as much on trade, is something of an exception — assert that while the United States has acted irresponsibly over the last 30 years by amassing too much debt, they will be the ones who suffer.

China, Brazil and Russia have said that they will purchase notes from the International Monetary Fund to begin diversifying their reserves, and China has taken steps to allow the renminbi to trade internationally, bolstering its case as a potential reserve currency.

Still, the reality is that even many forceful critics of the dollar see no immediate alternative to it as the vehicle for international trade. No other markets in the world have the depth and liquidity of those in the United States, experts say.

The very notion of the BRIC nations was conceived in 2001 by an economist for Goldman Sachs, and only then embraced by the countries themselves. Their leaders have conducted informal discussions before, but the June 2009 event was their first formal gathering.

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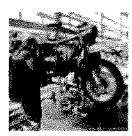
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