

## BRICS

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BRICS is an acronym for the grouping of the world's leading emerging economies, namely Brazil, Russia, India, China and South Africa. The BRICS Leaders' Summit is convened annually.

### **Structure**

- BRICS does not exist in form of organization, but it is an annual summit between the supreme leaders of five nations. The Chairmanship of the forum is rotated annually among the members, in accordance with the acronym B-R-I-C-S. BRICS cooperation in the past decade has expanded to include an annual programme of over 100 sectoral meetings.

### **Salient Features**

- Together, BRICS accounts for about 40% of the world's population and about 30% of the GDP (Gross Domestic Product), making it a critical economic engine.
- It's an emerging investment market and global power bloc.

### **Genesis**

- The acronym "BRICS" was initially formulated in 2001 by economist Jim O'Neill, of Goldman Sachs, in a report on growth prospects for the economies of Brazil, Russia, India and China – which together represented a significant share of the world's production and population.
- In 2006, the four countries initiated a regular informal diplomatic coordination, with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA).
- This successful interaction led to the decision that the dialogue was to be carried out at the level of Heads of State and Government in annual Summits.

### **Timeline**

- The first BRIC Summit took place in 2009 in the Russian Federation and focused on issues such as reform of the global financial architecture.
- South Africa was invited to join BRIC in December 2010, after which the group adopted the acronym BRICS. South Africa subsequently attended the Third BRICS Summit in Sanya, China, in March 2011.

## Objectives

- The BRICS seeks to deepen, broaden and intensify cooperation within the grouping and among the individual countries for more sustainable, equitable and mutually beneficial development.
- BRICS takes into consideration each member's growth, development and poverty objectives to ensure relations are built on the respective country's economic strengths and to avoid competition where possible.
- BRICS is emerging as a new and promising political-diplomatic entity with diverse objectives, far beyond the original objective of reforming global financial institutions.

## Areas of Cooperation

### 1. Economic Cooperation

- There are rapidly growing trade and investment flows between BRICS countries as well as economic cooperation activities across a range of sectors.
- Agreements have been concluded in the areas of Economic and Trade Cooperation; Innovation Cooperation, Customs Cooperation; strategic cooperation between the BRICS Business Council , Contingent Reserve Agreement and the New Development Bank.
- These agreements contribute to realisation of the shared objectives of deepening economic cooperation and fostering integrated trade and investment markets.

### 2. People-to-People exchange

- BRICS members have recognised the need for strengthening People-to-People exchanges and to foster closer cooperation in the areas of culture, sport, education, film and youth.
- People-to-People exchanges seek to forge new friendships; deepen relations and mutual understanding between BRICS peoples in the spirit of openness, inclusiveness, diversity and mutual learning.
- Such People to people exchanges include the **Young Diplomats Forum, Parliamentarian Forum, Trade Union Forum, Civil BRICS** as well as the **Media Forum**.

### 3. Political and Security Cooperation

- BRICS member political and security cooperation is aimed at achieving peace, security, development and cooperation for a more equitable and fair world.
- BRICS provides opportunities for sharing policy advice and exchanges of best practices in terms of domestic and regional challenges as well as advancing the restructuring of the global political architecture so that it is more balanced, resting on the pillar of multilateralism.
- BRICS is utilised as a driver for South Africa's foreign policy priorities including the pursuit of the **African Agenda** and **South-South Cooperation**.

#### 4. Cooperation Mechanism

Cooperation among members is achieved through:

- **Track I:** Formal diplomatic engagement between the national governments.
- **Track II:** Engagement through government-affiliated institutions, e.g. state-owned enterprises and business councils.
- **Track III:** Civil society and People-to-People engagement.

Impacts of BRICS on global institutional reforms

- The main reason for co-operation to start among the BRICS nation was the financial crises of 2008. The crises raised doubts over sustainability of the dollar-dominated monetary system.
- The BRICS called for the “**the reform of multilateral institutions** in order that they reflect the structural changes in the world economy and the increasingly central role that emerging markets now play”.
- BRICS managed to push for institutional reform which led to **International Monetary Fund (IMF) quota reform in 2010**. Thus the financial crises had momentarily reduced western legitimacy and briefly let the BRICS countries become “agenda setters” in multilateral institutions.

New Development Bank

- NDB is headquartered in Shanghai.
- At the Fourth BRICS Summit in New Delhi (2012) the possibility of setting up a new Development Bank was considered to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries.
- During the Sixth BRICS Summit in Fortaleza (2014) the leaders signed the Agreement establishing the New Development Bank (NDB).
- Fortaleza Declaration stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development thus contributing to sustainable and balanced growth.
- NDB’s key areas of operation are clean energy, transport infrastructure, irrigation, sustainable urban development and economic cooperation among the member countries.
- The NDB functions on a consultative mechanism among the BRICS members with all the member countries possessing equal rights.

## Contingent Reserve Arrangement

- Considering the increasing instances of global financial crisis, BRICS nations signed BRICS Contingent Reserve Arrangement (CRA) in 2014 as part of Fortaleza Declaration at Sixth BRICS summit.
- The BRICS CRA aims to provide short-term liquidity support to the members through currency swaps to help mitigating BOP crisis situation and further strengthen financial stability.
- The initial total committed resources of the CRA shall be one hundred billion dollars of the United States of America (USD 100 billion).
- It would also contribute to strengthening the global financial safety net and complement existing international arrangements (IMF).

## Challenges

- The marked dominance of big three Russia-China-India is challenge for the BRICS as it moves ahead. To become a true representative of large emerging markets across the world, BRICS must become pan-continental. Its membership must include more countries from other regions and continents.
- The BRICS will need to expand its agenda for increasing its relevance in the global order. As of now, climate change and development finance, aimed at building infrastructure dominate agenda.
- As BRICS moves forward foundational principles of BRICS i.e. respect for sovereign equality and pluralism in global governance are liable to be tested as the five member countries pursue their own national agendas.
- The military standoff between India and China on the Doklam plateau, which has effectively brought to an end the naive notion that a comfortable political relationship is always possible amongst the BRICS members.
- China's efforts to co-opt nation states, which are integral to its Belt and Road Initiative, into a broader political arrangement has potential to cause conflict among BRICS members especially China and India.

## Importance for India

- India can benefit from collective strength of BRICS by way of consultation and cooperation on economic issues of mutual interests, as well as topical global issues, such as, international terrorism, climate change, food and energy security, reforms of global governance institutions, etc.
- India remains engaged with the other BRICS countries on its **NSG membership**.
- The NDB will help India to raise and avail resources for their **infrastructure and sustainable development projects**. The NDB has approved its first set of loans, which included a loan of US\$ 250 million in respect of India for Multitranches Financing Facility for Renewable Energy Financing Scheme'.

## Way Forward

- BRICS did well in its first decade to identify issues of common interests and to create platforms to address these issues.
- For BRICS to remain relevant over the next decade, each of its members must make a realistic assessment of the initiative's opportunities and inherent limitations.
- BRICS nations need to recalibrate their approach and to recommit to their founding ethos. BRICS must reaffirm their commitment to a multi-polar world that allows for sovereign equality and democratic decision making by doing so can they address the asymmetry of power within the group and in global governance generally.
- They must build on the success of the NDB and invest in additional BRICS institutions. It will be useful for BRICS to develop an institutional research wing, along the lines of the OECD, offering solutions which are better suited to the developing world.
- BRICS should consider a BRICS-led effort to meet their commitments under the Paris Agreement on climate change and the UN's sustainable development goals. This could include e.g. setting up a BRICS energy alliance and an energy policy institution.
- NDB in partnership with other development finance institutions could be a potent vehicle to finance progress towards the sustainable development goals amongst the BRICS members.
- Idea of setting up a BRICS Credit Rating Agency (BCRA) as proposed by India, opposed to Western agencies like Standard & Poor's, Moody's etc can be on BRICS future agenda.

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