BRICS

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NEW DELHI SUMMIT 2012

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BRICS

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From reform to crisis response: addressing the key global issues

This particularly significant summit in New Delhi will cover a wide range of topics, including reforming existing global institutions, building new ones within BRICS, and improving crisis response

By Marina Larionova and John Kirton, co-directors, BRICS Research Group

The summit of the BRICS countries of Brazil, Russia, India, China and South Africa, which will take place in New Delhi on 29 March 2012, promises to be an exceptionally significant event in several ways. It is the first time that the annual BRICS summit will be held in India, following the first in Russia in 2009, the second in Brazil in 2010 and the third in China in 2011. The New Delhi Summit thus marks the completion of the first full hosting cycle among the rapidly rising powers that are the original members of this now solidified and expanding club. It marks the second appearance at the summit for South Africa, the newest member, and the first time that the country has been fully involved in summit preparations.

The Asian location of the BRICS summit will broaden and balance summit-level global governance in 2012, beyond the North American home of the G8 summit, to be held at Camp David in May, and the G20 summit to be held in Los Cabos, Mexico, in June. With the major established economies still struggling to cope with sluggish growth, high fiscal deficits and debts, and substantial unemployment, the big emerging powers in BRICS – now representing about a quarter of the world's production – will have a key role in governing the global economy and much else in 2012. They also offer attractive opportunities for investors and exporters everywhere.

The New Delhi Summit will address and advance many of the key issues confronting the global community, by continuing to treat the topics on the BRICS built-in agenda, adding the priorities of its Indian host and dealing with the critical global crises that arise.

The built-in agenda has expanded to include a broad range of items. These begin with financial and macroeconomic management, investment, trade, science, technology and innovation. They embrace development, health, agriculture, energy, the environment and climate change. They extend to pressing peace and security challenges, from terrorism, piracy and nuclear non-proliferation to regional security in North Africa and the Middle East.

Across all these issues lie the tasks of reforming for the 21st century the established global institutions that govern those issues, notably the International Monetary Fund (IMF), the World Bank and the United Nations Security Council (UNSC) from the world that existed in 1944-45. Another important task is building new institutions within BRICS, notably an emerging economies multilateral development bank.

Equally demanding are the priorities that India, as host, has set for its summit in 2012. These begin with setting a long-range vision for a new, solidified BRICS summit-centred system, containing its central values and priorities, accountability mechanisms to improve performance, the expansion of its institutions, civil society involvement, and whether other countries should join the group at an appropriate time.

Strengthening sustainable development

A second priority is improving the BRICS crisis response in the UN and to eruptions in West Africa, North Africa, the Middle East and Syria, above all. A third priority is strengthening sustainable development, particularly climate change, food security and water, building on the Durban Platform for Enhanced Action from South Africa in December 2011 and leading up to the Rio+20 conference in Brazil in June 2012. A fourth set of priorities contains the traditional pillars of development: urbanisation, universal access to healthcare, education and skills development, technology sharing and innovation, and the possible need for a BRICS development bank and impact investment fund.

This last idea would not only build the BRICS institution in practical, operational ways, but would also add to the array of multilateral development banks and international financial institutions where reform has been slow. In New Delhi, the leaders will consider how to hasten implementation of the G20-defined voice and quota reform of the IMF to give emerging powers their proper place and to ensure that the heads of the IMF and World Bank are actually selected, as agreed, on the basis of global merit rather than the restrictive nationality principle that has prevailed in the past. They will address the best way to expand the resources

of the IMF to respond to global financial crises, understandably insisting that regional institutions such as the European Union must first play their proper part, and that governance reform at the IMF is required for the new resources to be used in the most effective and legitimate way. They will also discuss the UNSC – how to use it more effectively to protect civilians in Syria and elsewhere responsibly, and how to reform it to give emerging powers such as India, Brazil and South Africa an enhanced role.

Looking to future summits

The final decision to be announced at New Delhi is who will host the BRICS summit in 2013. The likely choice of South Africa, the newest member, would signify that BRICS has become a genuinely global actor in a geographic and economic sense, by bringing the summit to Africa and to the most recognisably developing country in the group. The choice of Russia, which will probably host in 2014, will start a second hosting cycle by entrusting the BRICS summit to the founding member. The forum's institutionalisation dynamics and ever-expanding agenda, show that the BRICS summit is here to stay.

BRICS has evolved its global governance functions, moving from its focus on deliberation to direction-setting, decision-making, delivery and the development of BRICS governance institutions. At the 2011 summit, the leaders said they were determined to translate their political vision into concrete actions, and thus go forward from rhetoric to real actions. They endorsed an action plan to serve as the foundation for future cooperation and agreed to review its implementation during the next leaders' meeting. While not ambitious, the plan is an instrument for developing cooperation. In New Delhi, the leaders will need to revisit the commitment.

Consolidating the agenda aimed at creating global public goods, strengthening decision-making and delivery, and including elements of accountability will contribute to the effectiveness and transparency of the BRICS as a group and enhance its role in global governance. ■

Technology sharing and innovation are among India's priorities for discussion in New Delhi

BRICS: a view from the top

Recent reflections from the five leaders of the BRICS countries on the key issues affecting their developing economies

Manmohan Singh
Prime minister of India

"From a geopolitical perspective, the BRICS economies occupy a strategic economic position. They possess a significant percentage of the world's landmass and an even more considerable percentage of the global population. The evolution of BRICS and its broad appeal among all our peoples is a reflection of emerging realities, and full of hope.

"The challenge before us is to harness the vast potential that exists among us. Our priority is the rapid socioeconomic transformation of our people and those of the developing world. Our cooperation is neither directed against nor at the expense of anyone.

"We have the opportunity to give concrete meaning to the concept of sustainable and balanced development, and produce innovative models of development. We can cooperate in clean and alternative sources of energy and technologies.

"We live in an age when science and technology and the growth of human knowledge are becoming major determinants of the power and wealth of nations. We should share our experiences in capacity-building, education and skill development.

"As large and diverse societies, we are vulnerable to new and emerging threats to our security. It is our duty to our citizens that we cooperate in the fight against terrorism, extremism and intolerance and other non-traditional threats like piracy."

Dmitry Medvedev
President of Russia

"Our task is to use every opportunity to transform our new world into a world that is more just for the vast majority of citizens, a world in which success is determined by talent and hard work rather than family background, a world where billions of people will be able to communicate directly with each other, a world where people are not afraid of the government, and international relations are free from double standards and hypocrisy, a world where it will be easier and more efficient to work together, to work jointly. Especially since a new generation of leaders has come to power in many countries, politicians whose views were formed after the Cold War. We can discuss and realise our dreams together, we are ready for that – and when I say 'we' I mean Russia. All this should compel us to move towards a greater level of transparency and coordination.

"It is important that the BRICS group, as modelled by economists some time ago, has acquired huge credibility and the status of a truly efficient organisation. At least we intend to expand our efforts in that format. These are countries that stand every chance to become the leaders of global development and to shoulder responsibility for that process. I believe that one such idea could be implemented very shortly: to include the currencies of BRICS countries in the IMF SDR basket."

Hu Jintao
President of China

"We should endeavour to strengthen the BRICS partnership for common development. Over the past five years since its inception, BRICS cooperation has made steady headway. The scope of the cooperation has been broadening and the levels increasing. A multi-tiered and wide-ranging cooperation structure has taken shape. Facts have shown that BRICS cooperation has contributed not only to

the economic and social development of our five countries, but also to world peace and development.

"We should build on what we have achieved and plan for the future. We should stick to the basic principles of solidarity, mutual trust, openness, transparency and common development. Let us enhance mutual trust through cooperation and always be good friends and good partners. Our cooperation is open and transparent, and is aimed at mutual benefit and common development.

"We should stay firmly committed to the common interests of BRICS countries, step up coordination in the international economic, financial and development fields and strengthen the standing and role of emerging markets and developing countries in global economic governance. We should continue to deepen practical cooperation, vigorously tap our cooperation potential in economy, trade, health and sister-city relationships, and strive for fruitful results of our cooperation in various fields so as to further strengthen the economic and social foundation for BRICS cooperation."

Dilma Rousseff
President of Brazil

"Like other emerging countries, Brazil has thus far been less affected by the global crisis. But we know that our capacity to resist it is not unlimited. We are willing and able to help, while there is still time, those countries where the crisis is already acute. A new kind of cooperation, between emerging and developed countries, is a historical opportunity to redefine, with solidarity and responsibility, the commitments that govern international relations.

"The world faces a crisis that is at the same time one of economics, governance, and political coordination. There will not be a return to confidence and growth until we intensify coordination efforts between the members of the United Nations and other multilateral institutions. The United Nations and these organisations must urgently send out clear signals of political cohesion and macroeconomic coordination.

"The solution of the debt crisis must be combined with economic growth. There are glaring signs that many advanced economies are on the threshold of recession, which will significantly hinder the solving of their fiscal problems.

"It is clear that, right now, the priority of the world economy must be resolving the problem of those countries facing sovereign debt crises and turning back the current recessive tide. The developed countries must put in place coordinated policies to stimulate the economies that are extremely weakened by the crisis."

Jacob Zuma
President of South Africa

"What distinguishes each of the BRICS countries is the value and importance we attach to development. We share the commitment of ensuring that our people benefit at the broadest level from global growth and that the benefits of economic expansion are shared equitably.

"The BRICS countries in general have a large savings pool, whereas the African continent is ready for large-scale investments. Over the next 10 years, Africa will need $480 billion for infrastructure development, which should interest the BRICS business communities. Africa is projected as the third fastest-growing economy in the world, while the BRICS countries now constitute the largest trading partners of Africa and largest new investors.

This economic relationship will be further strengthened as Africa forges ahead towards regional economic integration. This move will open up opportunities for more foreign direct investment and expanding trade relations with BRICS countries.

South Africa stands to benefit from the concrete projects of BRICS. These are in areas such as agriculture, science, statistics, development-finance institutions, security and justice. As this is a dynamic relationship, more areas of cooperation will no doubt be added as we interact." ■

BRICS: a new-generation forum with a global reach

The BRICS group has evolved so much since its establishment that it now has a real chance to use its political influence and to reform outdated global financial architecture

By Sergey Lavrov, minister of foreign affairs, Russian Federation

The establishment of BRICS, initiated by Russian president Vladimir Putin in 2006, has been one of the most significant geopolitical events since the beginning of the new century. It has quickly become a powerful influence on world politics and the economy. The evolution of the BRICS group continues the trend toward a multipolar system of international relations and increasing economic interdependence. Such a system requires global governance and network diplomacy.

BRICS influence in the international arena is a result of its members' growing economic power and their important contribution to global demography and the supply of natural resources. In 2011, BRICS countries accounted for 25 per cent of global gross domestic product (GDP) (based on the purchasing power parity of national currencies), 30 per cent of global land area and 45 per cent of the world's population. Over the past decade, their economies have grown by 4.2 times, compared with 61 per cent growth in the developed countries. "Between 2001 and 2010, the BRIC economies' GDP rose much more sharply than I had thought possible even in the most optimistic scenario," admits Jim O'Neill, the economist who coined the term 'BRIC'. The BRICS contribution to global economic growth has now reached 50 per cent, making this group the principal driver of global economic development.

In terms of political influence, Russia and China are permanent members of the United Nations Security Council (UNSC), and all BRICS members play a prominent role in leading international organisations: the UN, the G20, the G8, the Non-Aligned Movement, the G77. In regional terms, Russia is a member of the Commonwealth of Independent States, the Collective Security Treaty Organization and the Eurasian Economic Community. Russia and China are members of the Shanghai Co-operation Organisation and the Asia-Pacific Economic Cooperation forum. Brazil is a member of the Union of South American Nations and Mercosur. South Africa is a member of the African Union and the South African Development Community. India is a member of the South Asian Association for Regional Co-operation.

Tipping the global balance

According to Brazilian Carlos Pereira, the BRICS group is "one of the key pieces on the global chessboard". O'Neill concludes that "BRIC's rapid growth tips the global balance".

Long-shared interests bring the BRICS countries together. One is their desire to reform the outdated global financial architecture, which does not reflect the increased economic weight of the BRICS and other emerging economies. The group's commitment to international law and rejection of power politics and infringement on others' sovereignty are equally important. BRICS members face a multitude of common challenges related to economic and social modernisation. Complementarities among many sectors of BRICS economies also contribute to their strategic rapprochement.

For the Russian Federation, cooperation within BRICS is a key long-term foreign policy priority. We welcome the step-by-step transformation of this cooperation into a multilateral strategic partnership embracing far-ranging issues of the global economy and politics. Moreover, Russia supports positioning BRICS as a new model of global relations overriding the old East-West or North-South barriers. An association of states populated by almost three billion people is not likely to limit itself to the role of bridge or mediator between the North and the South, or of operating only within the South-South political space. Such an approach would definitely restrict the opportunities for BRICS to pursue independent policies in international affairs.

As a group, the BRICS members have already gained valuable experience in coordinating their actions on major international issues, especially when all five countries were members of the UNSC simultaneously in 2011. Our countries have taken common or similar positions on issues such as the situations in Libya, Côte d'Ivoire, Sudan and Somalia.

Maintaining peace and security

There are good prospects for more active engagement to preserve and strengthen the UNSC's role in maintaining peace and security and preventing the UN, especially the Security Council, from being used by the West for disguising attempts to overthrow unwanted regimes or impose unilateral solutions for conflict situations. It is important to continue and develop mutual support for proposals of primary concern to our countries at the UN General Assembly and its agencies including the Human Rights Council, the Economic and Social Council, UNESCO, the UN Industrial Development Organization and the UN Development Programme.

Russia calls upon its BRICS partners to adopt the following priorities for international security.

First, BRICS must coordinate its position and formulate joint proposals for strategic stability, international and regional security, the non-proliferation of weapons of mass destruction as well as for resolving regional conflicts and maintaining regional stability.

Second, BRICS should engage in joint efforts to strengthen the UN's role in the fight against terrorism, ensuring the implementation of its Global Counter-Terrorism Strategy and universal anti-terrorism conventions, as well as strict compliance with relevant UNSC resolutions.

Third, BRICS should coordinate its approach to combating illicit drug trafficking and take joint steps in the UN's framework and related regional organisations.

Fourth, BRICS interaction should support international information security, with greater cooperation in combating cyberterrorism and cybercrime.

Fifth, BRICS should enhance its cooperation with stakeholders in fighting maritime piracy, and increase efforts to create an international mechanism for prosecuting and punishing pirates.

It is important to develop mutual support for proposals of primary concern to the BRICS countries at the United Nations General Assembly and its agencies

Reforming the international monetary and financial system will remain a key long-term priority of BRICS cooperation. BRICS should focus on ensuring strong, sustainable and balanced global economic growth, completing the current reforms of the International Monetary Fund (IMF) according to the deadlines and conditions agreed upon by the G20 and the IMF, and advancing reforms in the international monetary system to build a more representative, stable and predictable system of international reserve currencies.

These tasks can be achieved mainly through the G20. Thus, it is crucial for the BRICS members to enhance their interaction within the G20. Together, we should do everything possible to strengthen the G20's central role in responding to global financial shocks and in reforming the global financial and economic architecture.

Russia attaches great importance to using the established structures of cooperation within BRICS to members' full potential in order to accelerate the modernisation of our economies, ensure food and energy security, and address social issues. It is essential to raise mutual awareness of our cultures and traditions, in order to expand public support for the purposes and policies of the members as a group. A common information space for BRICS members could help to accomplish this objective.

Some conclusions can be drawn from BRICS experience thus far. For the next three or four years, it seems appropriate for the five countries to concentrate on promoting common interests in finance, economy and politics, as well as on the institutional strengthening of BRICS to reach a new level of cooperation.

In Russia's opinion, informal mechanisms should ideally include summits; regular meetings of High Representatives for Security Issues; meetings of foreign and finance ministers, central bank governors, and sectoral ministries and agencies; working groups; and a 'virtual' secretariat. Regular sherpa and sous-sherpa meetings should serve as a BRICS coordinating mechanism.

It is important to aim at developing the forum's external relations. We should emphasise a dialogue with major emerging economies and developing countries, the UN and its bodies, as well as with key regional organisations.

The progress that has been achieved by this young group at an early stage, as well as the momentum of its development and its prospects, show that BRICS will become increasingly important in defining the thrust of global development in the 21st century. ■

Welcome to Delhi: a crossroads for global exchanges of ideas

Historically, India has benefited from diversity and has a tradition of hospitality towards other cultures that is apt for its capital's role as host to this year's BRICS summit

By Tejendra Khanna, lieutenant governor and administrator of national capital territory of Delhi

It gives me great pleasure to extend a warm welcome to the distinguished heads of states and other delegates who will be in our city for the BRICS summit. Over many millennia, Delhi has stood at the crossroads of global exchanges of ideas, cultures, ways of life and trade and commerce. In our ancient religious and philosophical writings, the Vedas, there is an exhortation to everyone to keep the windows of their minds open so that winds of wisdom can be received from all directions. India's enlightened spirit of global fraternity is well captured by the Sanskrit shlokas 'Vasudhaiva Kutumbkam' and 'Sarve Bhavantu Sukhina', meaning that the world is one family and we seek the well-being and happiness of all.

India has never felt threatened by diversity, but has selectively benefited from diverse global traditions to enrich its own skein of living. It is the capacity to live in peace, harmony and tolerance, despite the great diversity in terms of languages, cuisines, accoutrements and ways of worship, that constitutes a fundamental aspect of Indian-ness. We believe in respecting people with differing points of view and in resolving differences through dialogue and discussion. This propensity for individualism in thinking and articulation, coupled with respecting the freedom of thought and action of others, has been portrayed succinctly and brilliantly by the Nobel Prize-winning Indian economist, Amartaya Sen, in his book *The Argumentative Indian*.

By undertaking massive deregulation of economic activity in the early 1990s, India unleashed a period of heightened economic growth and today ranks among the world's top emerging mega-economies. While the further strengthening and expansion of the country's physical infrastructure by way of roads, airports, power generation and distribution, rail links and rapid metro transport facilities are areas that will continue to require large investments and time-bound implementation, substantial progress has already been achieved in these areas and policy measures are in place to accelerate the pace of these activities.

The remarkable surge in the production of automotive vehicles, the number of mobile phone users and the global recognition of India's strong capabilities in the computer software sector are some examples of the positive outcomes of the country's economic liberalisation process.

Peace and progress

In this age of global inter-dependence, the human community has no option but to work together for global peace and progress. It is only under conditions of peace that the fruits of development can be enjoyed by people wherever they live. Economic growth should bring about betterment in living conditions for all. The spread of vocational and skill education to enable young people to engage in gainful economic activity on their own, and earn legitimate livelihoods without having to depend on government or corporate sector jobs, is important for maintaining social and

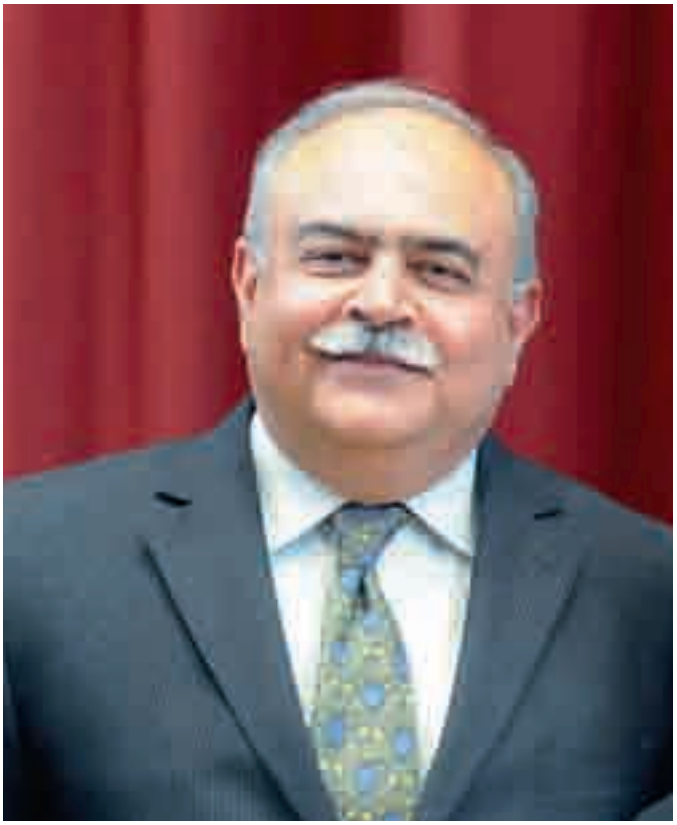
political stability. Likewise, gender inequality being practised against women because of distorted social values and priorities in many societies has to be grappled with and effectively overcome to enhance harmony and happiness within families, with corresponding positive effects on societies and nations.

I am confident that the arrangements made for the BRICS summit in our national capital will give our visiting dignitaries and delegates a feeling of respect, consideration and warm hospitality, and advance the cause of peace and progress at the global level. ■

The surge in the production of automotive vehicles, the number of mobile phone users and recognition of its software sector are examples of the positive outcomes of India's economic liberalisation process

New Delhi's India Gate. For millennia, India has been a meeting point for different cultures

The BRICS New Delhi Summit 2012



By working together, the BRICS countries make the most of their collective influence and common aims to address issues affecting members on both global and regional levels

By **Sudhir Vyas, secretary (economic relations), Ministry of External Affairs, Government of India, and Indian sherpa for the BRICS summit**

The five countries in BRICS form a unique group. It is not geographical in its rationale, such as the European Union or the Association of Southeast Asian Nations; or commodity-based, like the Organization of Petroleum Exporting Countries; or a security-based alliance such as the North Atlantic Treaty Organization. Beyond the economic rationale in the 2001 Goldman Sachs vision – the potential as drivers of growth – Brazil, Russia, India, China and South Africa are brought together by their shared will and capacity to engage constructively with the world community in the quest for sustainable solutions to the contemporary issues and challenges facing the world. The attention commanded by BRICS is unprecedented. Its views matter.

Institutionalised with the first meeting of foreign ministers in 2006, BRICS has evolved as a serious, competent and responsible grouping in addressing issues and challenges with global and regional ramifications. BRICS seeks sustainable and inclusive development in an enabling environment of a democratic, equitable and rule-based world order.

Combined strength

The members' collective weight, both physical and economic, provides them with an unparalleled capacity to influence the global discourse. BRICS draws strength from mutually reinforcing bilateral ties among its members that, over the years, have acquired strategic depth. Regular consultations among the BRICS countries on various sectoral issues, in addition to the annual summit events, add an important facet to their bilateral ties and a platform for them to come together for consultation, coordination and cooperation among themselves.

Commonalities of approach among the BRICS members to contemporary global and regional challenges were evident throughout 2011, when all the BRICS countries were together in the United Nations Security Council. The BRICS members believe in multilateral approaches to finding solutions to regional and global issues, and see a central role for the UN in this.

The canvas of the BRICS agenda is very broad. Beginning with regular and intensive consultations on the international financial and economic situation – unsurprisingly, given the salience of the global economic slowdown in 2008 that affected the BRICS members, too – the agenda today encompasses global concerns such as climate change and sustainable development, food and energy security, the global trading order and international and regional political developments.

A number of cooperation mechanisms have been developed for deepening intra-BRICS cooperation. Meetings of BRICS trade and economic ministers, agriculture ministers, health ministers, senior officials on science and technology, a contact group on economic and trade issues, and other such meetings have been useful in this regard. Regular meetings of foreign ministers and finance

Sudhir Vyas addressed the fourth BRICS Academic Forum, which was also held in New Delhi in March

ministers are a feature on the BRICS calendar. And there are other areas where synergies of BRICS technological capabilities serve the cause of its peoples, perhaps also contributing to evolving global positions of contemporary relevance.

Intra-BRICS trade is increasing at an average rate of 28 per cent annually and currently stands at about $230 billion. Bilateral investment flows among BRICS members are also increasing. Consumer expenditure in BRICS countries as a percentage of gross domestic product ranges from 35 per cent to 61 per cent, and there is a strong and growing middle class, with rising levels of income. The BRICS countries today comprise new growth poles in a multipolar world. During the global economic and financial crisis, the BRICS countries played a vital role as drivers of growth that helped the global economy emerge from the shadows of crisis. They are not a threat to global growth, but an opportunity for global growth.

The fourth summit in New Delhi is taking place against the backdrop of several important developments, both economic and political. A faltering global recovery made more complex by the crisis in the eurozone is affecting growth; important international events on climate change and sustainable development touch on issues of high relevance to the BRICS agenda; the completion of Russia's accession process at the eighth World Trade Organization ministerial conference opens new strands of engagement; and so on. The summit offers the leaders an opportunity for consultations on these issues and a broad slate of others of global concern.

The BRICS members' collective weight, both physical and economic, provides them with an unparalleled capacity to influence the global discourse

The BRICS summit will focus on ways and means to deal with the lingering shadows of the global economic and financial crisis. It may also touch upon the global governance architecture and a host of issues there that are increasingly relevant to BRICS countries. Patterns and a calendar of consultation and coordination among the BRICS members over the coming year may be expected to figure on the summit agenda. ■

BRICS on the global frontier: creating space for growth

As BRICS plays a bigger part on the global stage, it needs to take a nuanced approach to reform, to push for more open and transparent debate, and to build a trade and development framework

By Yoginder K Alagh, chair,
Institute of Rural Management Anand;
guest editor, *BRICS New Delhi Summit 2012*

Countries follow their own enlightened interests. As India grew faster, it integrated with the world. China has a head start, and the other BRICS members are also pushing. In the late 1980s, Rajiv Gandhi had intended to develop the concept that India would grow fast in a globalising world, following a policy of concentric circles of influence. In keeping with this, the BRICS agenda is not only to increase cooperation with each other, but also to push for a world with space for them and others to flourish. This is as important as the objectives of conventional diplomacy.

For key emerging industries and sectors, China's current 12th Five-Year Plan has targets and details of policies on taxation, tariffs and domestic procurement, but also global perspectives. The sectoral perspectives are of a strategic nature. India also intends to pursue ideas from global economic debates. The approach paper on its own 12th Five-Year Plan suggests global aspects cannot be neglected. Given the global slowdown, Chinese and Indian growth at nine per cent is not to be dismissed – but can they do better?

Unfortunately, 'experts' and business people in BRICS are sometimes pushed by their own agendas. One lesson from the 2008 meltdown is that transparent, arm's-length relationships among corporate, financial and consultancy agencies often do not exist. The media tend to downplay the comments of serious, independent scholars and economists.

Reform cannot mean an activist state, as with early days of manufacturing expansion in East Asia. Policy has to be compatible with World Trade Organization (WTO) regulations. A nuanced approach is necessary in today's fast-changing world. Successful countries adjust their policy to these requirements. Technology policies, monetary and credit policies, foreign direct investment, trade and tariff policies, and policies for small and medium-sized enterprises and for strategic and security sectors are all possible at the core of the policy that a country can follow.

Open and informed debate

But more articulate, assertive policy debates are required. The BRICS countries know that it is not that their voices will not be heard, but that the global bazaar of ideas is full of noise generated by special interest groups, often thinly disguised but effective in using communication channels for their own purposes. A more open, effective and informed policy debate will help both BRICS and the world. Observers have watched this influence grow from the days of a decade ago. In *Reforming from the Top: a Leaders' 20 Summit*, edited by John English, Ramesh Thakur and Andrew F Cooper, in 2005 I called for India and China to be a part of the G8. I argued that they would work together for a more sustainable future. My view remains relevant. As Juha Jokela has written, "India as well as South Africa saw restructuring as needed, but both emphasised that restructuring of the G8 must enhance cooperation among developing countries and take into account their potential."

What can be learned? First, there must be domestic recognition of the points long made by BRICS, as well as by the G20 at its 2010 Seoul Summit: the space that emerging economies need to grow is possible only if the global economy proceeds on a reasonably stable trajectory. The four per cent rule for current-account deficits and the G20's Mutual Assessment Process are no longer luxuries. Brazil and South Africa are well placed to pursue this agenda. India is too, because of its macro performance and policy experience. Second, there is a need for transparency in financial assessments. BRICS central bankers have played a critical role in the G20, from the days of former Central Bank of India governor Y Venugopal Reddy. That role needs to be counted upon in the future.

Three objectives are worth noting. The first is to create stability for the medium-term reform process. Reforms to increase growth by establishing rules and institutions for creating communication, marketing and systems for stable financial incentives cannot proceed in volatile economies. The second is to improve the international and national architecture to deepen financial markets for inclusive growth. The third is to link the first two objectives with trade and foreign-exchange policies. India has not taken a mercantilist stance in its exchange policies. Deepening reform has been a goal. These were my objectives as planning minister in the late 1990s: reform was to be protected from the fluctuations in global financial markets evident after the 1997-99 Asian meltdown. The central bank governor stated, at the 2002 G20 meeting of finance ministers and central bankers in Delhi, that for the first time the international community through the G20 had endorsed voluntary principles for preventing and resolving sovereign crises, which I had suggested when the sovereign debt restructuring mechanism appeared to be failing. India chaired the process for enhancing transparency in global financial flows.

The BRICS countries display a refreshing youthful emphasis on technology. The new organisations and social institutions that support that technology are the flip side of the challenges of low growth, poverty and insufficient renewable resources. This is a break with the past in operationalising decentralising paradigms of growth. The BRICS countries, which are growing fast, reinforce the world view at home. The world did not believe this. At the beginning of this century, India was considered a basket case. Whether in education or in the consequences of a demographic dividend, the future is not automatic. It is for the BRICS countries to build. Projection models derive demographic dividends from the 'inevitable' consequences of fertility and ageing patterns, labour force and savings. Global imbalances result. Which results are robust and why? Some consequences may turn out correct, but for the wrong reasons. Nothing is inevitable, even though issues of human resource development remain central.

China engages within the BRICS, but is sceptical. It simultaneously follows its national interests and champions the developing world. India is also sometimes considered sceptical,

BRICS countries are rich in agro-climatic diversity. Half a century ago, diversity was considered a curse. Now, sustainability means building on what you have

with the prime minister remarking that the structure does not provide for solving problems. Brazil has not yet unleashed its full force in opening up world markets. South Africa and its revolutionary concepts of egalitarian change do not get a hearing.

Despite these limitations, BRICS proves that in global debates the language of the other must be understood. These countries are ideally placed to explain and advocate this language. The pursuit of national interests abroad must be part of a larger campaign of global change – at present, sadly lacking. Thus an alternative response to 'supping at the high table' is needed.

Framework to integrate development

Can the BRICS countries continue to grow fast, along with other Asian economies? Such rebalancing calls for a macro financial-trade policy framework to coordinate efforts to address development issues with more comprehensive policies. Financial trade policy literature generally works within an implicit comparative static framework. Development issues tend to be underplayed in this context, even if they gain urgency in crises. Indeed, the literature, with some recent exceptions, concentrates on exchange-rate developments and the consequent implications. Given the volatility of these trends, there is considerable zigzag in such debates.

The Food and Agriculture Organization and UNESCO publish an agro-climatic classification of the world's agricultural resources, based on soil, water and climate. The BRICS countries are rich in agro-climatic diversity. Half a century ago, diversity was considered a curse. Now, sustainability means building on what you have. Time-honoured practices on the hill slope, the flood plain, the desert and the river valley can be integrated with modern technology and management practices for sustainable agriculture.

This, in fact, becomes a powerful argument for trade. Each region should look for what it can do best. Agriculture and rural development would then specialise. Food and fibre deficits and surpluses would be cleared with trade. Agricultural growth based on agro-climatic resource endowments is sustainable because it conserves water, energy and land. However, it cannot occur in an unstable macro environment unfriendly to agricultural trade. Early warning systems must expose threats to the change process. Whether it is agriculture, small industry or technology, rebalancing requires cooperation among countries based on mutual interest in broad-based development. There must be attention to detail rather than posturing. There are no short cuts in a global economy. ■

Kazakhstan as the great connector

Kazakhstan is developing relationships with the BRICS members and exploring the potential for trade partnerships and greater cooperation to achieve common objectives

By Nursultan Nazarbayev, president of Kazakhstan

A decade after its creation, the concept of the BRICS, bringing together Brazil, Russia, India and China – and, since last year, South Africa – has become a reality in world politics and economics.

An optimistic forecast made by Goldman Sachs analysts in 2001 has exceeded all expectations. Over the past 10 years, the BRICS countries' contribution to world gross domestic product has reached $10 trillion, equivalent to 80 per cent of the G7 economies. According to the World Bank, Brazil, Russia, India and China will be responsible for nearly 30 per cent of world production by 2015.

Today, even in troubling economic times, the BRICS 'fantastic' five continue to show impressive growth rates, in contrast to the debt-stricken leading economies of the world. Dynamic developing countries can become a key driver of global growth. By combining efforts, they should make a major contribution to the world economic recovery. I believe that Kazakhstan, as one of the top three rapid-growth economies in the world in 2011, is ready to contribute to this process. Over 20 years of independence, we have built an effective economy that has grown twelvefold. We are one of the few countries able to provide for ourselves and, in equal measure, to develop the export potential of our economy.

Increasing political and trade links

It is noteworthy that Kazakhstan borders two of the main 'bricks' of the BRICS group – Russia and China. These two countries are also our key political and trade partners, and we have signed strategic partnership agreements with both of them.

Our trade ties with India and Brazil are also gathering pace. Last year, Kazakhstan's trading turnover with the five BRICS countries amounted to over $46 billion. In my view, one of the most promising areas for Kazakhstan-BRICS cooperation is the exciting potential to work together on global food and energy security issues.

It is more important than ever that we are pursuing a policy of openness and levelling the different paces of economic growth through mutually beneficial economic integration. As a country, Kazakhstan supports the aspirations of the BRICS members to diversify the global economic system and to build a more transparent, democratic and multipolar world. Unfortunately, the formats of the G20 and the G8 have shown little effectiveness. It is worrying that the international community has yet to start discussions on developing a global anti-crisis plan.

I propose to radically expand the number of participants in search of solutions to the global crisis. I propose that we call the new communications platform the 'G-Global' project. At our initiative, a new functioning mechanism for the global financial system and a single world currency are now being developed.

Located in the heart of Eurasia, Kazakhstan understands and shares its responsibility for the sustainable and progressive development of the entire continent.

From the beginning, Kazakhstan decided to harness its vast natural resources to improve the living standards of all of its citizens. Education and social welfare have always been top priorities for our development. As a result, since 1994, average income per capita has increased twelvefold. The literacy rate in Kazakhstan is 100 percent, while the unemployment rate remains consistently low.

Since ancient times, Kazakhstan has been a crossroads to the world as part of the Great Silk Road. Traders speaking multiple languages traversed our territory for centuries carrying gems, spices and gold from the bazaars of Asia to the marketplaces of Europe. Today, Kazakhstan also enjoys harmonious relations between its more than 130 ethnic groups and 40 religions – a feature based on history, but also a reflection of our commitment to inter-ethnic and inter-religious relations. We have set up the Assembly of the People of Kazakhstan, an effective institution for the interaction of the various ethnic groups that make up the population of our country. International congresses of the leaders of world and traditional religions are held regularly in the country.

Kazakhstan supports BRICS members' aspirations to diversify the global economic system and to build a more transparent, democratic and multipolar world

In 2010 Kazakhstan proudly chaired the Organization for Security and Cooperation in Europe and hosted the group's first summit in 11 years in our capital, Astana. This year, Kazakhstan is heading the Organization of Islamic Cooperation and is hoping to create better understanding between predominantly Muslim nations and the rest of the world.

Advancing international cooperation

We have developed a carefully balanced foreign policy – open to working with many countries – and have created new organisations to foster cooperation, including the 24-nation Conference on Interaction and Confidence-Building Measures in Asia.

Thanks to our economic successes, Kazakhstan has transformed itself from an aid-receiving to a donation-providing country, offering assistance to Kyrgyzstan, Afghanistan and Somalia.

International rating agencies have steadily upgraded Kazakhstan. The World Bank ranks us among the top 50 countries in which to do business. Just like the BRICS economies, ours, by careful design, is modernising and diversifying from its early reliance on oil into agriculture, manufacturing and telecommunications.

As the leader of the country, which celebrated the 20th anniversary of its independence last year, I have always called upon world leaders for an open dialogue and a joint effort to build a fairer global financial architecture and strengthen global peace and security.

President Nazabayev welcomes his Chinese counterpart Hu Jintao (left) to Kazakhstan during an official state visit in June last year

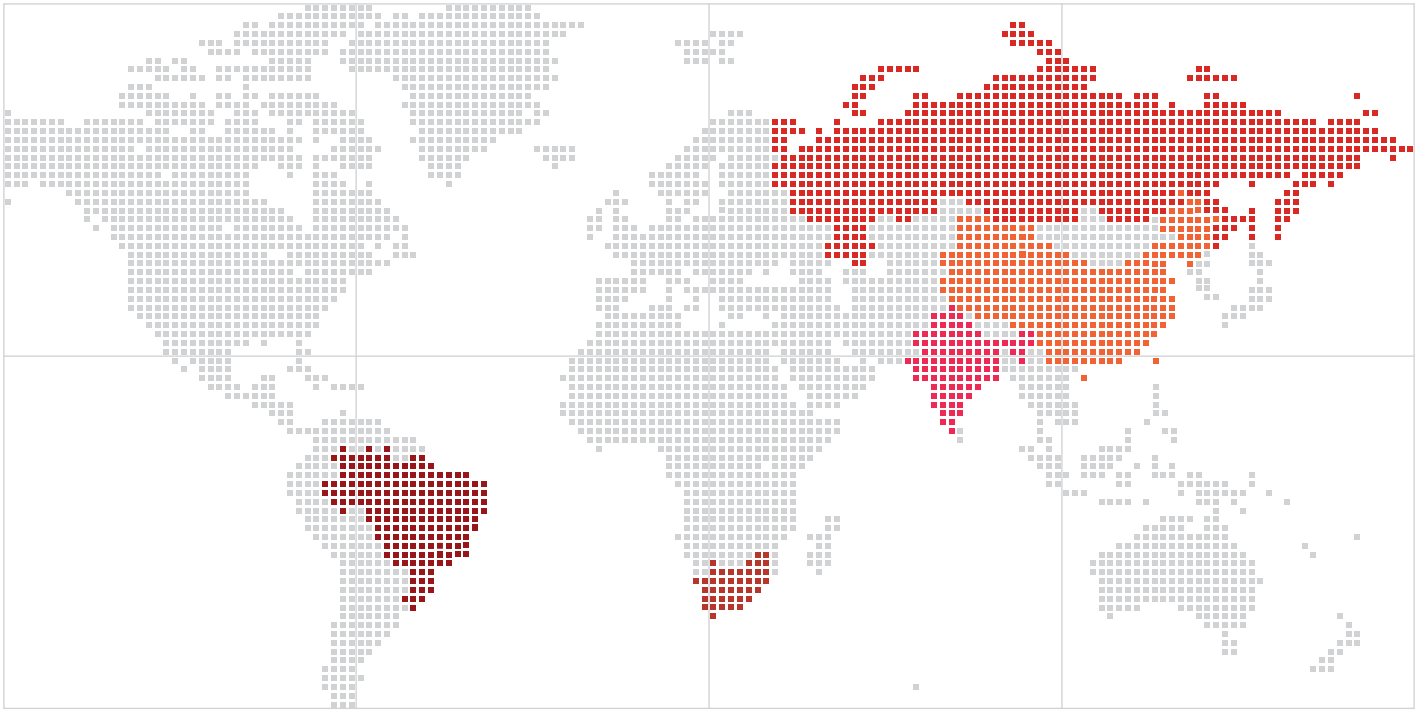
Twenty years ago, a far-reaching decision to voluntarily renounce the world's fourth largest nuclear-missile arsenal and shut down the Semipalatinsk nuclear test site laid the foundations of our success story. We put forward and implemented the idea to establish a Nuclear Weapons-Free Zone in Central Asia.

Addressing the Global Nuclear Security Summit in Washington in 2010, I once again stressed the importance of using this experience as we seek to expand the number of nuclear weapons-free regions in the world.

Moving forward together

I am confident that through strong political will and collective commitment we will find a joint solution to the most pressing issues facing the world today, for the benefit of all humankind.

I am convinced that the recovery of the world economy and its new trajectory of growth will herald a large and systemic transformation. Today, countries with the fastest-growing economies have a real opportunity to become the driving force that pulls the global economy out of the crisis. ■



BRICS cities compete for places on world stage

Over the next two decades, more than 500 million people (greater than the current population of either North America or Western Europe) will migrate to cities in the BRICS.

City building on the fast track

The magnitude of the task facing the built environment in absorbing this wave is extraordinary:

- To accommodate the new work force, Grade A office stock is projected to grow by more than 10 percent per year over the next decade, from 90 million sq m today to more than 220 million sq m.
- Consumer demand will reshape the retail landscape. While there are now 1,000 modern shopping malls across the BRICS, by 2020 there could be well over 2,500. That's a new mall opening every two days.

For BRICS cities to take up the mantle of 'world winning,' they will have to show skills in innovative and intelligent financing; put significant resilience and sustainability strategies in place; and demonstrate improving transparency around legal systems, commercial codes and business practices.

The race for recognition will accelerate as many more cities seek a place on regional and world stages.

Competing for finance or financing for competitiveness?

Across the BRICS markets, successful municipalities will be those that manage the demands on their infrastructure while cultivating their appearance to the outside world as attractive investment destinations.

Investors are extending their horizons to a range of more than 300 global cities. Robust economic growth rates, deepening real estate transparency, and improved quality of real estate stock in emerging and middle-weight cities will be compelling pull factors. At the same time, investors will track the real estate demands of international corporate occupiers, who are pushing further into new geographies.

Only thirty cities account for half the world's total real estate investment volumes. The top five cities alone—London, Tokyo, New York, Hong Kong and Paris—account for nearly one-quarter of volumes.

Shanghai, Beijing, Moscow, São Paulo and Rio de Janeiro have all become top-30 investment destinations since 2008, while the BRICS' overall contribution to global real estate investment volumes has increased from less than one percent in 2004 to nearly 10 percent in 2011.

In India alone, the market value of investment-grade real estate assets under construction across the office, retail and residential sectors is more than US$160 billion, over 60 percent of which is residential.

Building beyond sustainability to resilience

Alongside this massive building programme India is making strides on the sustainability of its real estate, which has progressed from two certified projects in 2004 to 292 in 2011. The quality of office stock is also improving and is increasingly being built to internationally recognised standards.

The property sector recognises it has an important part to play in creating the conditions to accommodate this shift in economic power and city growth patterns. To fulfil this role, it needs to design spatial footprints that can both absorb growth and meet carbon reduction commitments. It needs to look at the social impact of development as well as its location and design. Finally, it needs to work with city authorities to deliver the sustainable physical and social infrastructure that will best match the needs of residents and businesses.

Urbanisation on this scale happens only once. The legacy of today's real estate development will last for many decades to come.

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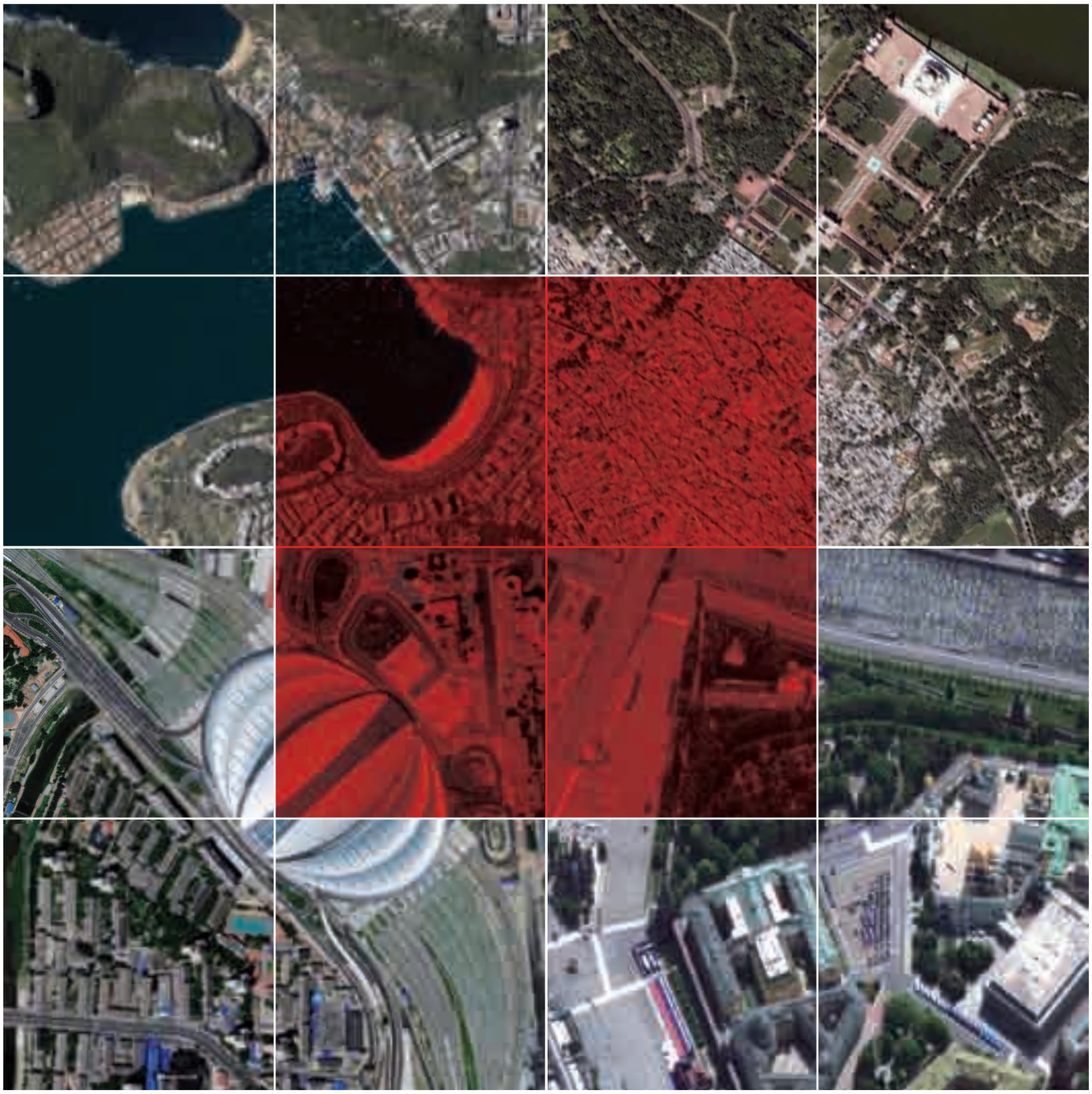

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Real value in a changing world

Building BRICS: from conceptual category to rising reality

When the original BRIC acronym was coined in 2001, the economic potential of its four countries – Brazil, Russia, India and China – was considerable. But the scale of their growth has far outstripped even the most optimistic predictions

By Jim O'Neill, Goldman Sachs

It is now more than 10 years since I had the good luck of dreaming up the odd acronym 'BRIC' to describe the rising economic importance of Brazil, Russia, India and China. To celebrate this anniversary and to explore what might lie ahead for the world under an increasing BRIC influence, last December I published *The Growth Map: Economic Opportunity in the BRICs and Beyond*. In it, I discuss many of today's challenges, especially as they relate to global economic governance and the role of the various Gs.

By the end of 2011, the BRIC economic story had been much more powerful than I had proposed back in 2001, as well as compared with 2003 when we first looked at the potential for these four countries in 2050. In the most optimistic of four scenarios drawn in 2001, I suggested a combined BRIC share of 14 per cent of global gross domestic product (GDP). In 2003 it was close to 20 per cent. By 2011, it had gone way beyond.

Outstripping the United States

The final details of all four's nominal GDP are still to come, but their collective GDP is likely close to $13 trillion. This means that within the next three years, their combined size will become bigger than the United States, which will remain important geopolitically as well as in terms of issues such as collective voting rights at the International Monetary Fund (IMF) and the role of special drawing rights (SDRs).

All four countries, including Russia, have surpassed my initial expectations – especially China, which has overtaken Japan some six years earlier than I anticipated, and is already almost double the size of Germany. At the end of 2011, its economy is already at $7.3 trillion, which, astonishingly, increased by $1.4 trillion in just 12 months. As I am fond of saying, in the context of the current European crisis, China creates the equivalent of another Greece every 12 weeks. In 2011, it created half the equivalent of a United Kingdom in just one year, or close to the equivalent of two Australian economies.

Brazil, helped by the surge in the value of the real, became bigger than Italy 10 years earlier than I expected. Russia has been disappointing only if one focuses on the country since 2009. In fact, if not for decline of its economy since then, Russia was heading to outperform its four BRIC partners relative to my 2001 expectations.

The decade ahead promises to be extremely interesting for the relevance of the BRIC countries. Barring a disastrous shock that would affect them all – particularly China – their combined GDP is likely to exceed that of the US by 2020, if not sooner. That will certainly carry much symbolic weight.

As they get larger, by definition their contribution to global growth gets bigger. According to some basic analysis, and contrary to persistent and widespread Western pessimism, global GDP growth is likely to be between 4.0 and 4.5 per cent this decade, almost exclusively because of these countries, so surely they should expect to have more influence.

Growing financial influence

In this context, it increasingly seems inevitable that their role in the IMF needs to rise even more, along perhaps with the other so-called non-developed G20 economies, especially Korea, Indonesia, Mexico and Turkey, and perhaps South Africa (although, in economic terms, South Africa joining the BRIC economies makes little sense).

It also seems more and more likely that the SDR will be quite different by 2015, when it is next due for a revision to its constituents. It would be ridiculous for the renminbi not to be a critical part, and it is conceivable that including the rouble will be justified. In fact, Russia is already close to meeting the rigid definitions stipulated by the IMF. Whether the SDR will become more than an accounting currency for IMF transactions remains to be seen, but with these two currencies, it would be much more likely that it will.

As for BRICS as a political group, I do not believe that it has a permanent role – especially given my scepticism about South Africa as a member. The four BRIC economies are so big that soon they will be among the 10 largest – but beyond being big, having large land masses and lots of people, they share little else.

Unlike the G7 countries, their wealth is quite different, ranging from $15,000 per capita in Brazil and Russia to below $2,000 per capita in India. South Africa is about one-fifth the size of Russia and India, and tiny compared to China. And,

All four countries, including Russia, have surpassed my initial expectations – especially China, which has overtaken Japan some six years earlier than I anticipated

The leaders of India, Russia, China and Brazil shake hands at the first BRIC gathering on the eve of the 2008 G8 summit in Japan. The expanded BRICS group, including South Africa, staged its first five-member summit last year

of course, the BRICS countries do not share similar ideological goals.

Despite questioning the political aspirations of the BRICS club, there is a case for a smaller new G grouping under the overall umbrella of the G20. The Korean- and French-hosted G20 summits have been general disappointments, partly because of the depth of economic challenges that coincided, but more so probably due to the passage of time, and the simple fact that the G20 (let's not forget that nearly 30 countries attend) is too unwieldy. We need, within the G20, a new, more representative G7/8-style group that can deal with the most pressing, globally systematic issues.

The case for Germany, Italy and France to be individually represented is weaker than ever, especially if they want the world to believe that they are committed to sharing a common monetary and fiscal framework. What better way to demonstrate such a commitment? Beyond that hurdle, the case for keeping the UK and Canada within a modern, effective G7 – by size – would weaken immediately. Along with Japan and the US, the euro area would be joined by each of the four BRIC countries. Canada and the UK would no doubt resist, but given the pain involved in trying to get their European cousins to meet as one, that should be manageable, not least as it would not mean an end to their influence, as they would remain effective members of the G20.

It has become time to acknowledge the importance of the BRIC countries in a more substantive way than them having to meet on their own once a year to be noticed. ■

What interests do the BRICS countries share?

The interests of BRICS members seem to diverge in several areas. But the group gains cohesive force from its challenge to the influence of the North Atlantic community and its ally Japan – in which it stands a good chance of success

By Nitin Desai, former under-secretary-general, United Nations

Countries come together to form groups in international affairs if it enhances their capacity to protect and project their interests. The BRIC leaders first came together in 2008 at the instigation of Russia, a country that otherwise did not belong to any significant grouping in global negotiations and that no longer exercised the sort of power it had when it led the communist bloc. The other BRIC members belonged to the G77, where their core interests were not always coincident with the interests of the many smaller developing countries whose concerns came to dominate G77 positions. South Africa was added in 2011, thus leading to the addition of the S and the insistence that the grouping should not be confused with the Goldman Sachs paper that introduced the acronym.

The five countries that constitute the BRICS group – Brazil, Russia, India, China and South Africa – are important enough to exercise influence in global affairs individually. Yet they have come together at the summit level three times already and will be meeting for a fourth time in New Delhi.

What are the shared interests that this grouping can advance? They cannot be in the field of trade, as the members' core interests are quite different. Two of them,

Although the BRICS countries share many common goals, their opinions diverge over permanent membership of the United Nations Security Council

Brazil and Russia, are major commodity exporters, while two, China and India, are major commodity importers. In this area at least, their interests diverge. Two of them are major beneficiaries of the internationalisation of supply chains, for manufactured goods in the case of China and services in the case of India. The others are less affected by developed country policies on outsourcing.

Foreign investment autonomy

The members' stakes in global financial flows are more comparable. They all hold large reserves of foreign exchange and have received substantial inflows of foreign investment. But they also are strong believers in maintaining national autonomy in the policy regime on foreign investment. The only joint interest they would project is to ensure that this autonomy is not eroded.

The global negotiations on climate change are a new area for country groupings. But here the BRICS members are not always on the same page. Russia is an Annex I country that has accepted an obligation, although the allowance it was given under the Kyoto Protocol is so generous that Russia is basically off the hook when it comes to climate action. The other four members are under pressure as fast-growing economies to take on obligations, but have divergent interests on issues such as forestry and nuclear energy.

The BRICS countries are all established regional powers with aspirations to global influence, but even here there are differences. Russia and China are recognised nuclear powers with substantial military capacity and permanent membership in the United Nations (UN) Security Council. The other three have claims to permanent Security Council membership that have not been accepted even by BRICS partner China. One of them, India, is a declared nuclear power whose standing as such has not yet been accepted by some of its BRICS partners.

Yet, despite this divergence of interests, the countries concerned devote a significant amount of leadership time and diplomatic effort to pursuing the BRICS project. And what is this project? Quite simply, it is to challenge the privileged position of the North Atlantic community and its eastern ally, Japan, in the management of global interdependence.

The focus is very much on a greater role for the BRICS in institutions such as the IMF and the World Bank. The multilateral trade system has already evolved to give BRICS a substantial role in the deal-making

The formal structure of the global order that prevails at present emerged after the Second World War under the tutelage of the US, the only country with significant capacity to project power globally in 1945. It served its broader and long-term interest to accommodate Western Europe and, later, Japan in the higher direction of the multilateral system that was a part of this order. For around 40 years, from 1949 to 1989, Russia exercised effective countervailing power, more in the sphere of security than in economic matters. Some evolution took place in the UN, with the emergence of developing countries out of their earlier imperial subjugation.

Unequal international influence

This process did not really alter the global balance of power. The forums in which the non-Western countries were influential were quickly marginalised in the management of global economic interdependence where the locus of decision-making was in the West-dominated institutions such as the International Monetary Fund (IMF) and the World Bank. The General Agreement on Tariffs and Trade, despite its democratic voting structure, was dominated by the West through the structure of its negotiating process. Political and security issues were handled mainly in ad hoc processes – the Middle East peace process being a typical example. The UN was used only occasionally when there was no risk of the West having to compromise on its core interests.

The BRICS grouping is essentially a challenge to this system. That is why its core agenda is about democratising global governance. Moreover, given the divergence of views on matters such as Security Council reform, the focus is very much on a greater role for the BRICS in institutions such as the IMF and the World Bank. The multilateral trade system has already evolved to give BRICS a substantial role in the deal-making. BRICS will undoubtedly demand the opening of the selection of the next World Bank chief to all nationalities.

Widening the global oligarchy

In some ways, the BRICS countries are pushing on a open door. The rapid growth of BRICS, and the relative stagnation of the West and Japan, have meant that the distance in terms of the economic basis for the exercise of power has narrowed considerably. Moreover, there are fissures in the old alliances, as the gulf between the US and Europe widens and Japan sees some commonality of interest with India and China – for instance, on global financial policy issues. Parsing the diplomatic language used by BRICS countries, one can say that what they really want is a widening of the global oligarchy of power and their inclusion in this. The justification is not the principle of democratic inclusion, but the need to recognise the changing realities of global power. That is why their modest project may well succeed. An old oligarchy will always find it easier to accommodate new oligarchs than to cope with demands for democracy in decision-making. ■

Time for BRICS to develop an external relations strategy

As network diplomacy becomes increasingly important, BRICS needs a strategy in this field. This should feature links to several partners – perhaps starting with the Shanghai Cooperation Organisation, with which it shares interests

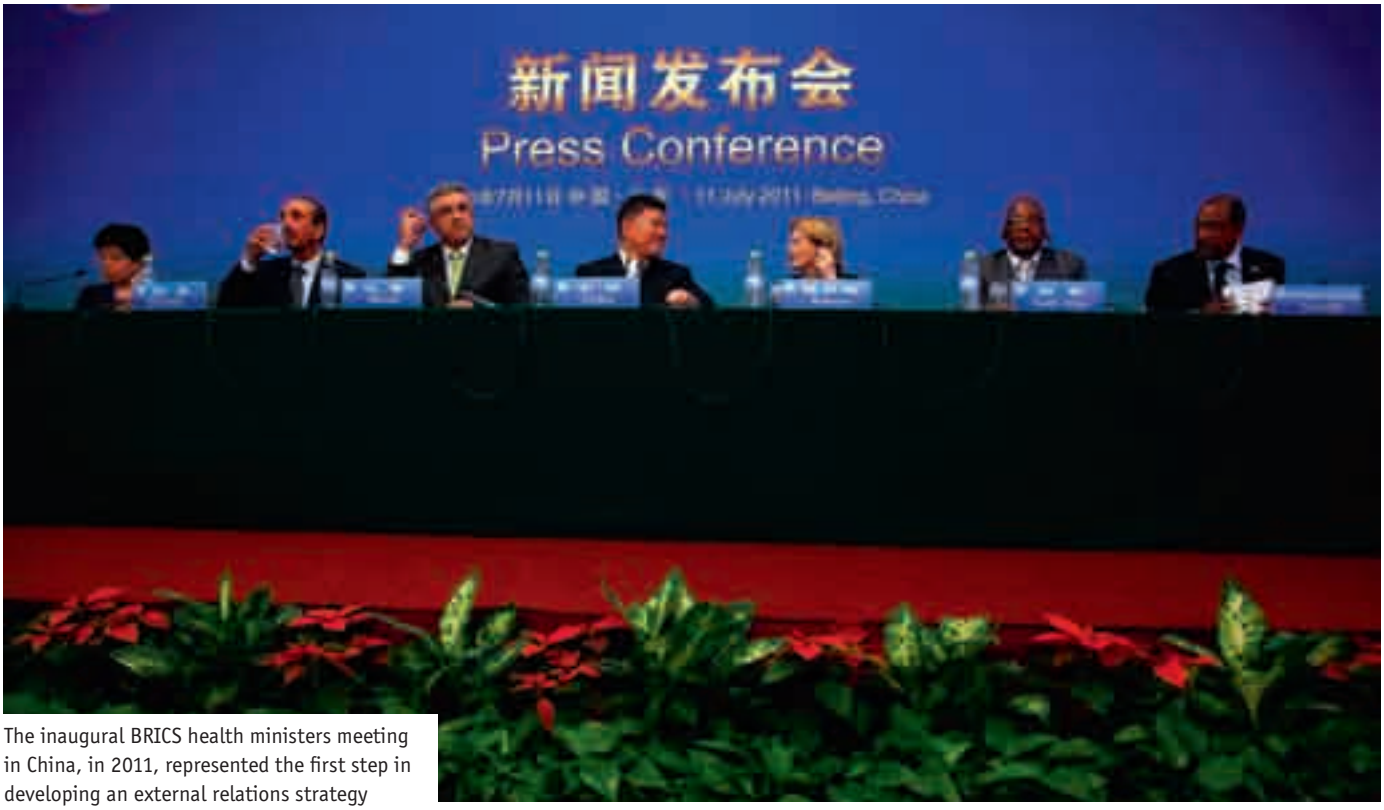
By Vadim Lukov, Ambassador-at-Large, Russian Ministry of Foreign Affairs; Russia's BRICS sous-sherpa

Contemporary international relations are characterised by the rapid development of network diplomacy. On the one hand, this development is a sign of the democratisation of the international system and its rising polycentricity. On the other hand, it indicates the increasing interdependency of states and integration. Every intergovernmental alliance needs to develop its external relations to strengthen its international status and increase its efficiency for the members.

BRICS is no different. As an association on a global scale that unites countries playing important roles in leading international organisations and in a range of regional structures, it should start developing an external relations strategy.

What could be the key features of such a strategy? The most important thing is a thoughtful selection of partners. In international relations, 'a man is known by the company he keeps'. The emphasis should be on engaging with the emerging economies and major developing countries; with specialised agencies of the United Nations (UN) such as UNESCO, the World Health Organization (WHO), the Food and Agriculture Organization, the UN Industrial Development Organization and the UN Environment Programme; with regional structures such as the Shanghai Cooperation Organisation (SCO), the Commonwealth of Independent States, the Eurasian Economic Community, the African Union (AU), the Arab League, the Union of South American Nations, Mercosur, the Gulf Cooperation Council, the Association of Southeast Asian Nations (ASEAN); and with other groups, bringing together 'new economies'.

The dialogue could address, in particular, overcoming the consequences



The inaugural BRICS health ministers meeting in China, in 2011, represented the first step in developing an external relations strategy

of the global financial crisis and preventing a recurrence, reforming the international financial architecture, achieving the Millennium Development Goals, ensuring food and energy security, managing climate change and economic and social adaptation to its consequences, strengthening the international environment governance system, promoting the convergence and diversity of cultures in the process of globalisation, and consolidating the culture of peace and non-violence as a new ideology in international relations.

Chinese initiative

The first step in developing a BRICS external relations strategy was made in 2011. The Chinese presidency invited heads of WHO, the United Nations Programme on HIV/AIDS (UNAIDS) and the Global Fund to Fight AIDS, Tuberculosis and Malaria to the BRICS health ministers' meeting. It is time to take the next step now.

One such step could be establishing relations between BRICS and the SCO, given that their members share a wide range of common or similar strategic interests. A comparison of official documents corroborates it, as follows.

At the 2011 summit, the BRICS leaders said: "Based on... norms of international law and in a spirit of mutual respect and collective decision-making, global economic governance should be strengthened, democracy in international relations should be promoted, and the voice of emerging and developing countries in international affairs should be enhanced."

The Astana Declaration, issued on the 10th anniversary of the SCO two months later, said: "The SCO stands up for maintaining peace, stability and prosperity in the Asia Pacific region, in favour of forming an open, transparent and equal architecture of security and cooperation based on the norms and principles of the international law, bloc-free mentality and due regard for the legitimate interests of all states... The SCO member states believe that the implementation of joint measures on overcoming the effects of the global financial economic crisis and ensuring a steady balanced growth of the national economies must remain a top issue on the organisation's agenda. The SCO member states stand up for further reforming the international financial regulation, strengthening the coordination of policies and cooperation in the field of financial regulation and control."

Members of the SCO and BRICS stand up for the supremacy of law in international relations and for strengthening the role of the UN and its Security Council

Members of both institutions consistently support the profound reform of international financial and economic architecture to reflect the formation of new centres of economic power and make the international monetary and financial system more democratic.

Members of the SCO and BRICS stand up for the supremacy of law in international relations and for strengthening the central role of the UN and its Security Council on issues of international peace and security. Members of both institutions face common challenges of modernising their economies, accelerating economic growth, raising living standards and improving human development. When establishing and developing relations, the SCO and BRICS can rely on extensive experience of dialogue between institutionalised international organisations on the one hand and informal associations of states on the other hand.

For example, the UN secretary-general, the International Monetary Fund's managing director, the World Bank president, the director-general of the World Trade Organization, and the chairs of the AU and ASEAN regularly participate in G20 summits. The representative of the UN secretary-general takes part in the meetings of G20 leaders' personal representatives, or sherpas. Several G20 working groups are open to the experts from developing countries and international organisations.

The G8 has gained a rich experience of cooperation with institutionalised international organisations. Such a dialogue allows its participants to take into account each other's positions on important decisions, reflected thereafter in the relevant documents. Such exchanges of experience in dealing with specific economic, social and humanitarian problems are important. At these events, all the participants can inform each other directly of their concerns and communicate requests for various types of assistance.

Outreach meetings

Four forms of dialogue between BRICS and the SCO can be suggested on the basis of existing international practices. First, the head of state or government of the BRICS chair should be invited to the SCO summit, and vice versa. This type of contact may take the form of outreach, as a specially assigned meeting. Second, there should be similar outreach invitations to the ministerial meetings of each group. Third, members should be invited to participate in specialised working groups operating within the framework of both institutions. Fourth, joint expert reports should be prepared on issues of shared interest.

These are certainly not the only options for developing BRICS external relations. Russia's partners in BRICS is likely to put forward their own initiatives, reflecting the realities of developing integration in their own regions. The most important issue today, however, is to start the substantive discussion on directions and stages of BRICS external relations development, as well as on the content of the forum's dialogue with the outside world. ■

Advancing accountability in BRICS governance

Increasingly, the BRICS countries are finding their collective voice and making joint commitments over a wide range of policy issues, with data showing rising success rates in the implementation of the decisions they have made

By Ella Kokotsis, BRICS Research Group

The leaders of India, Brazil, Russia, China and South Africa will convene in New Delhi, India, on 29 March 2012 for their fourth formal BRICS summit since 2009. For the first time, South Africa will be represented as a fully fledged member, solidifying its role and importance at the BRICS table.

During the summit, observers from around the world will pay close attention to what the BRICS can realistically achieve as a group, as the five leaders will cover a broad range of international issues spanning the global economy, trade, food, energy and information security, health and innovation, agricultural development and climate change.

To demonstrate their collective leadership, and forge an impression during this dynamically evolving era of global governance, the BRICS members have an important opportunity to show the world that they are capable not only of reaching consensus on the most pressing and complex global challenges, but also of implementing effectively the broad-spectrum commitments they will reach in their New Delhi declaration.

Implementing commitments

The basis of BRICS influence in the international system reflects the members' ever-increasing collective economic and demographic power. With around 43 per cent of the world's population covering 30 per cent of the earth's surface, and producing 25 per cent of the world's share of global gross domestic product (GDP), these five countries have contributed collectively more than 50 per cent of the world's economic growth over the past decade. By 2030 the cumulative BRICS GDP will exceed that of the G8 major industrialised countries. This clearly places the BRICS in a position of global economic leadership, enabling the group to reach consensus and craft decisions across a range of policy issues.

But the success of BRICS can be measured not only on the basis of the members' ability to reach consensus, but also on their capacity to implement their commitments. What does the record reveal so far?

Given the data limitations on compliance trends specific to the BRICS countries, the best gauge of success in assessing the implementation of the 100 commitments made by their leaders since 2009 is to evaluate the relative success of BRICS within the broader G20 framework, in which each BRICS member is represented equally.

Compliance data for the G20 summits in Washington, London, Pittsburgh, Toronto and Seoul (from 2008 to 2010) suggest that the BRIC grouping – which did not include South Africa until then – has implemented its international summit obligations 19 per cent of the time, compared with an overall G20 average of 38 per cent.

The success of BRICS can be measured not only on members' ability to reach consensus, but also on their capacity to implement commitments

BRIC compliance scores have increased from year to year, with the strongest results delivered at the Seoul G20 in November 2010. Here, the BRIC members scored a solid 43 per cent, compared with the overall G20 average of 50 per cent, placing the group squarely in the middle range – above the United States, Indonesia, Turkey and Argentina, but below Australia, the European Union, France, Italy, the United Kingdom, Canada, Japan and Mexico.

Successful areas of compliance

The strongest BRIC compliance has come in the area of clean energy technologies and socioeconomic reforms (aimed at boosting and sustaining global demand, fostering job creation and increasing growth potential), with trade and exchange-rate management producing the poorest overall compliance scores.

The BRICS members' collective success in fulfilling several socioeconomic and energy commitments is not surprising, given the similar challenges they face and coincident priorities they share, particularly in the area of agricultural reform and food production.

This is likely to hold true for South Africa as well. At the most recent meeting of BRICS agricultural ministers in October 2011, an agreement was reached to support the development of the biomass energy industry to safeguard global food security. The BRICS countries called upon their industrialised counterparts to offer funding and technological support to the developing world in order to enhance agricultural production and capacity to help guarantee food safety.

Although an upward compliance trend is reflected in the limited amount of data available on the BRICS members' capacity to implement their commitments, these countries can take a number of measures at New Delhi to improve the implementation

(Left to right) BRICS leaders Manmohan Singh, Dmitry Medvedev, Hu Jintao, Dilma Rousseff and Jacob Zuma at the 2011 summit in China

and accountability of the tasks on which they agree. Doing so primarily involves a consensus on a clear, specific, target-driven and time-bound set of deliverables, as well as measures and mechanisms aimed directly at improving delivery and implementation.

The first step involves a recognition on the part of the BRICS members that the commitments contained in their declarations must be precise, transparent, quantifiable and target-oriented, as measurable objectives facilitate future tracking and reporting on results.

Second, and tied into the first point, is the need for adequate monitoring systems to be put in place in order to provide timely and reliable information for results-oriented reporting.

Third, data limitations must be overcome, particularly in sectors where data quality is poor and activities are carried out without adequate attention to baseline data or a consistent methodology that allows for rigorous assessments.

Fourth, the BRICS members should acknowledge the importance of working with non-governmental organisations (NGOs) to implement their commitments, indicating a clear path for NGO and civil society input into the framework process.

Finally, there needs to be a plan of action to rectify lagging progress on past commitments, as well as a clearly defined strategy to speed progress in areas deemed to be falling short.

Leadership at any level begins with promises being kept. In this respect, BRICS is no exception. To make their mark as a global agenda setter, the BRICS leaders should seize the opportunity at New Delhi to forge a consensus on the key agenda items they have established, and then go one step further by showing the world they can shape and influence policy by delivering on the promises they make. ■

Russia as an export opportunity: looking into the future

Russia is opening up to new trade opportunities and relations. Not only is it a member of the BRICS grouping, but it has also been accepted into the World Trade Organization – an important step in the country's participation in global trade

By **Maxim Medvedkov, director, Department of Trade Negotiations, Russian Ministry of Economic Development**

Before considering the issue of Russia's membership in the World Trade Organization (WTO), it is important to understand what its participation in world trade means for the country. Russia ranks seventh by export in goods, 12th by export in services, 12th by import in goods and ninth by import in services in the world. Its economy is constantly growing. It is becoming a more significant player in the international markets. The conclusion of the negotiations for Russia's accession to the WTO, which lasted for 17 years, is thus important for Russia and its partners. This also partly explains why the working party on Russia's accession was the largest in WTO history, with 60 members – the 27-member European Union has one member.

The negotiations were conducted on market access for goods and services, and on the so-called systemic questions.

With respect to the negotiation outcomes, the number of commitments made by countries that join the WTO differs substantially: from commitments on substantial liberalisation of trade regime (Ukraine) to commitments that, in fact, deprive the country of 'standard' rights (China). For Russia, the number of commitments that include 'individual' elements specific to Russia were reduced to a minimum. Over the course of the accession process, Russia's legislation was harmonised with WTO norms. Therefore, implementing most of the commitments will not require substantial changes in the Russian legislation or in the texts of the Customs Union between Russia, Belarus and Kazakhstan (CU).

For Russia's economy, accession to the WTO is one of the most important instruments to enhance the effectiveness of its international economic activity in the short and medium terms. Russia is a major developing economy and, as a non-member of the WTO, lost many opportunities.

Gaining access to global markets

Accession creates opportunities for Russian companies to have non-discriminatory access to foreign markets. It will help to develop non-resource sectors of the economy – one of the most important challenges for Russia. WTO membership will help Russia to take a significant step towards resolving this issue.

Russia regards the WTO as a modern basis for mutually beneficial trade relations that all partners understand. It is no secret that discriminatory measures are often applied to Russian goods. Being a WTO member, Russia will have access to the WTO's unique dispute settlement system. This mechanism is a very important advantage of WTO membership.

Foreign investors producing goods in Russia will be able to expand their market in a country that accounts for almost one-sixth of the customs area of the world

Liberalising the trade regime will open new trade and investment perspectives for foreign companies in Russia, which provides special opportunities for international business. Foreign investors producing goods in Russia will be able to expand their market in a country that accounts for almost one-sixth of the customs area of the world. Russia needs additional investments and modern management mechanisms and equipment. Shared rules create a sound foundation for mutually beneficial cooperation.

Russia is ready to comply with the WTO's norms and rules, and expects the same from its partners.

The agreements on access to markets resulting from almost nine years of negotiations are fair, and create new opportunities for trade. In the framework of the negotiations, the classification of import duties on goods covered a total of 11,567 tariff lines.

In general, agreements on tariffs were reached between 2004 and 2006, but during the long period of negotiations several significant changes were made, particularly regarding the common tariff of the Customs Union. Ultimately, the agreed level of tariff protection of a fairly extensive list of goods at the moment of accession to the WTO is higher than the currently existing level by approximately one percentage point, if the calculation is performed using an average weighted rate of the Customs Union tariff.

Following accession to the WTO, the initial level of tariff protection for most goods will gradually decrease over an average of two to three years. On sensitive items with a reduction of duties amounting to 10 per cent, the transition period will take between five and seven years.

According to preliminary estimates, the current average weighted rate of the common customs tariff (CCT) will not change significantly for the whole classification: from 10.293 per cent to the final WTO binding level of 7.147 per cent (the initial binding level is 11.85 per cent). The average weighted rate

for agricultural products will decrease from 15.634 per cent CCT to 11.275 per cent. For industrial goods the rate will decrease from 9.387 per cent CCT to 6.41 per cent, while the initial binding level for industrial goods is 11.256 per cent.

Russia's accession to the WTO has an impact on the process of creating the Common Economic Space of Belarus, Kazakhstan and Russia (CES).

One of the main objectives of the CES is to form a capacious common market by bringing together national markets of the three countries. It is characterised by the following figures: the population of CES members is 167 million people, their total gross domestic product in 2008 amounted to $1,869 billion and the volume of international trade reached $946 billion in 2008.

Since the launch of the Customs Union, some trade-regulating functions have been assigned to the level of the CU. In addition, Russia has committed to ensuring compliance with the WTO requirements at the level of the CU, according to a special agreement on the functioning of the Customs Union within the multilateral trade system. Under this agreement, commitments made by the CU members in order to accede to the WTO become a part of the Customs Union's legal system. These provisions create new opportunities for foreign business and investors, as they get access to the CU markets operating on shared rules complying with WTO norms and regulations.

Russia's integration processes and aspirations are not limited to the establishment of a Customs Union or by accession to the WTO. Russia's full WTO membership provides an opportunity to expand and deepen relations with traditional trading partners even further.

Building on the WTO standards and rules, Russia is negotiating new free trade agreements. Broad preferential agreements with the countries of the European Free Trade Association and New Zealand are being actively discussed.

Russia is open to new opportunities and new trade relations. ■

Seats await delegates for the ceremony in December 2011 marking Russia's accession to the WTO, following 17 years of negotiations

China as a global economic power

China's economy has grown at a dizzying speed. Its growth model served it well for the first phase of its expansion, but now, as the country becomes a global power, inherent contradictions are arising and a new paradigm is evolving

By Yu Yongding, Chinese Academy of Social Sciences

After three decades of breakneck growth, China has become the world's second largest economy, the second largest trader and the largest holder of foreign-exchange reserves. Even if growth moderates, it is likely to become a high-income economy and the world's largest economy before 2030.

Since the 2008-09 financial crisis, China has been the single most important engine of global growth. Its output in 2011 accounted for 15.8 per cent of global output. It contributed 1.4 percentage points to the 3.9 per cent of world growth. The contribution of advanced economies was just 0.8 percentage points.

While China still runs a sizeable trade surplus, in the past three years its imports have grown faster than its exports, and its trade surplus has been shrinking fast. Consequently, foreign countries have benefited from increasing exports to China. The country's demand for energy resources and raw materials is a boost to some advanced economies, as well as to many developing economies that export commodities. In recent years, China's outbound foreign direct investment (FDI) has increased dramatically. Rather than being a recipient, the country is now a significant source of FDI. It has even made important inroads in portfolio investment in some advanced countries. With its strong external position and huge foreign-exchange reserves, China can help those advanced economies facing insolvency, liquidity shortages and credit crunches.

An active international role

Although China remains poor, size matters. It can ill afford to shirk its international responsibilities. It must do more to liberalise its trade regime bilaterally, regionally and multilaterally. It must also open its financial services sector more. Reciprocity is necessary. Historically, the country's outbound FDI focused largely on resources. The future will see more Chinese FDI in manufacturing. The country will participate more in consolidating the multilateral trade regime against trade protectionism, reforming the international monetary system, and strengthening regional trade and financial cooperation. In cooperation with other developing countries, China will play a more active role in international forums such as the G20.

Several features characterise China's growth paradigm. The first is growth-focused gross domestic product (GDP). The second is a high investment rate supported by an even higher savings rate. The third is preferential treatment towards FDI. The fourth is export promotion. The country's growth model has worked well in the past, but inherent contradictions will eventually negate that model.

With its strong external position and foreign-exchange reserves, China can help those advanced economies facing insolvency, liquidity shortages and credit crunches

Over the past 30 years, the Chinese government has successfully mobilised resources to achieve maximum GDP growth. Unfortunately, GDP is an imperfect measure of economic well-being. In China, many activities that create GDP simultaneously destroy wealth. The pursuit of GDP growth has resulted in it becoming the most polluted country in the world. Fine particulates in the air have reached dangerous levels in most major Chinese cities. Its natural resources are rapidly being depleted, and it is lurching towards a water crisis.

China's concessional policy to attract FDI is a result of competition among local governments at all levels. The country has attracted a lot of FDI and hence accumulated much foreign capital stock. FDI contributes to China's growth – but at a high cost. While foreign capitals expect high returns on their investments in China, Chinese savings must be invested in US treasuries for meagre returns. Because the stock of foreign capital in China is large, there should be significant differences between its gross national product and its GDP. Some day, China may well discover it is much poorer than its GDP level suggests.

The high investment rate is the main pillar of China's high GDP growth. For a developing country, a high investment rate is indispensable for growth dynamism. However, with its rate approaching 50 per cent of GDP, China's rate is far too high. Although it should be brought to a sustainable level, the optimisation of China's investment structure is more important. The single most important category of investment in China is property development, which accounts for 10 per cent of GDP and 25 percent of total fixed-asset investment. Investment in infrastructure is important, but it requires accompanying development in manufacturing capacity. Owing to

Homebuyers look at model buildings in Shenyang. Property development is the single most important category of investment in China

China's size, the traditional pattern of energy- and resource-intensive investment is unsustainable. Resources should be allocated to projects that build human capital, provide public goods, and foster creativity and innovation. Industrial policy still has its place, but investment decisions should be made at the enterprise level. Enterprise reform holds the key for optimising China's investment structure.

Switch to domestic demand

International trade has been pivotal in China's economic development. For a developing country, the key resource is an abundant labour supply. The export of labour-intensive products kick-starts economic development. International trade exposes domestic producers to international competition, new technology and managerial skills, which improve competitiveness among domestic producers and raise their products to international standards. However, as the world's largest export country with a trade-to-GDP and exports-to-GDP ratios exceeding 60 per cent and 30 per cent respectively, China is the top producer of more than 200 major product categories. The global market cannot absorb its massive exports. The country must abandon export promotion and rely on domestic demand.

The main force that will negate China's old growth paradigm is a successful result of the paradigm. Thanks to steady GDP growth, the aspiration for higher pay has become irresistible. Average incomes have been increasing by more than 20 per cent. The government is acting to satisfy workers' demands. According to the 12th Five-Year Plan, the annual growth rate of minimum wages in the next five years must be kept above 13 per cent. The government has also mobilised resources to improve its social security system. Rising wages will trigger changes in China's resource allocations and hence its growth paradigm.

The country will have to rely on improving productivity through innovation and creation rather than extensive investment and cheap labour. Its growth will become slower – but greener, and less energy- and resource-intensive. Its labour-intensive exports will become less competitive internationally, making more room for other developing countries to expand their exports. The global economy as a whole will benefit from China's shifting growth paradigm and its becoming a global economic power. ■

The knock-on effect of China's changing role in world trade

As China moves from being primarily an exporter to an international trading partner, the world is adjusting to such a major shift in economic power. However, China itself needs to show greater leadership and adopt a global perspective

By Tu Xinquan, China Institute for WTO Studies of the University of International Business and Economics

Twenty years ago, the Chinese government initiated a strategy to diversify its export markets, intending to reduce its excessive dependence on major industrialised economies. At that time, about three-quarters of Chinese exports went to the United States, Europe, Japan and Hong Kong. The strategy may have seemed unsuccessful, since these four still rank as the biggest destinations for exports and accounted for 60 per cent of total exports in 2010.

However, in some ways the strategy has worked very well. China's share in world exports has grown from 2.25 per cent in 1992 to 10.36 per cent in 2010, taking top spot as the largest exporter away from the US. China is now among the top five import origins of 148 economies out of 161 covered by World Trade Organization (WTO) statistics. For developed economies – such as those of the European Union (EU), Australia, Japan and the US – and emerging economies – such as Indonesia, Vietnam, Sudan and Ethiopia – China has become the biggest supplier of industrial goods.

Many foreign enterprises are leaving China because of rapid increases in labour costs. There is a Chinese saying that no flower can bloom for 100 days

Simultaneously, from being an almost negligible importer 20 years ago, China now imports around nine per cent and has become one of the top five export destinations of 67 economies. Developed, as well as developing, countries – such as Japan, Korea, Chile and Benin – have China as their largest export market.

Impact at home and abroad

China's shift from a unilateral exporter to a global two-way trading partner has great significance for the country and for the world. Both will need time to adjust.

First, as a global trader, China must adopt a global perspective to defend its interests and assume its obligations. During the negotiations for China's accession to the WTO, China focused only on the US and the EU. However, today China needs to deal with a wider range of trading partners, especially now that its developing friends take it seriously as an important supplier or competitor. China must also consider more partners' concerns when making its internal and external policies, because these will certainly affect those policies.

Second, as the dominant global trader, China must depend more on itself to defend its global interests. China has benefited from the current world trading system, set up by the US after the Second World War. As the largest stakeholder in that system, China should invest more resources into its maintenance and development.

At the same time, as a larger importer, China has more capability and leverage to pursue its own goals. Nonetheless, China

does not seem to be ready for this changed role, due to a lack of both capacity and willingness to lead.

Third, China's upsurge means challenges and opportunities for the rest of the world. A newcomer always brings uncertainties and uneasiness, especially a huge one such as China. There is no precedent in world history of such an emerging power, with its combination of expansive territory, a large and high-quality labour force, and effective governance, with seemingly incomparable manufacturing capability and competitiveness in almost all sectors, ranging from shoes to spaceships.

Chinese success has raised doubts among many of its trading partners. They have tried hard either to transform China into a country similar to themselves or to

China's share in world exports has risen from 2.25 per cent in 1992 to 10.36 per cent in 2010, making it the world's largest exporter

keep China out of their markets. But China has penetrated everywhere, even while it has remained a country with a different economic and political system.

Declining competitiveness

The world needs more patience with China's endogenous change. A few years ago, some countries blamed China's low wages as an unfair advantage. Today, many foreign enterprises are leaving because of rapid increases in labour costs. China's export ultra-competitiveness has begun to diminish. There is a Chinese saying that no flower can bloom for 100 days.

Meanwhile, more Chinese domestic demand will have to be met by the foreign supply of both commodities and manufactured goods. China's huge appetite as a buyer provides many opportunities to many developed and developing countries, especially in the aftermath of the 2008 global financial crisis. With its accumulation of capital resources, China has become the fifth largest investor in the world.

Before it joined the WTO, some worried that China could abuse its power to disrupt the current trading system. Now China is accused of being too inactive in the Doha round of trade negotiations. Some even propose a new 'China round'.

China's passiveness in rule-making negotiations appears difficult to understand. One possible explanation is that the country cannot effectively engage in the game because of capacity and institutional restraints. Another theory is that China is distrustful of the current system, in which it has often been discriminated against.

The current situation is certainly undesirable. China should reposition itself as a global trading partner that has great dependence and impact on the world. It is China's right, as well as its obligation, to make the international trade rules work. A major power is always distinctive. There is no way to transform China into a member fully consistent with the established standards. A better choice is to accommodate some Chinese characteristics that are effective in the economic development of a poor country.

Shared interests with BRICS partners

Each of its BRICS partners is an increasingly important trading partner for China. It is the second largest import origin for Russia, India and South Africa and the third for Brazil. China is the second largest export destination for Brazil and South Africa and the fourth for India and Russia. All the BRICS countries are seeking to speed development and they share many interests in the world trading system. All are reluctant to introduce new issues such as human rights and environmental measures into the WTO negotiations.

But China is seen as a formidable competitor by the other four. They worry about their trade structure with China, importing manufactured goods from China and exporting commodities to it. For example, in 2010, minerals and plant products accounted for 81.2 per cent of Brazilian exports to China, while manufactured goods accounted for 71.4 per cent of Brazilian imports from China.

There is no clear-cut border between these opportunities and challenges. The BRICS members should not take a coercive approach to address the problems among them. Indeed, a key element of China's success has been its approach of incremental reform in building consensus and avoiding conflict. This might prove a useful lesson for the leaders and their trade ministers as they convene in New Delhi. ■

The global influence of BRICS: a Brazilian perspective

The increasing importance of BRICS might be based more on perception than on recent achievements, but the member countries are in a position to use their coalition to influence policies and organisations on a far wider scale than before

By Joao P Nogueira, International Relations Institute, Pontifical Catholic University of Rio de Janeiro, and general coordinator, BRICS Policy Center

As the severity of the European crisis unfolded in 2011, perceptions that the international order is under the stress of multiple forces of change became stronger. For many, the post-2008 upheaval in the world economy will take time to redress itself and will have long-term impacts in world politics. The slow recovery of the United States and pessimistic projections for Europe suggest that the centres of international power will have limited ability to influence the most significant issues in global governance, such as security, stabilisation of the global economy and sustainability. Consequently, expectations regarding the role of the BRICS countries have risen, despite lingering scepticism about the group's ability to act collectively and agree common objectives. In fact, while most commentary discounts BRICS as a challenge to the dominant world power, much analysis of the financial crisis has focused on the group.

The growing relevance of BRICS might be more a matter of perception than of actual accomplishments. However, perceptions go far in conditioning world views and mindsets. The BRICS New Delhi Summit will help either to reinforce or dispel the pervasive notion of a rising tide of the emerging economies in world affairs.

Finding common ground

While the summit may differ little from those held previously in terms of decisions and initiatives, it is perhaps more important in terms of how the BRICS countries will present themselves. Can they coordinate positions on relevant issues more effectively? Do they have the political will to act collectively? Can they articulate a common – and alternative – vision of the coming international order? Can they overcome divergent interests in trade and security to achieve more influence in multilateral institutions? Are they more than just a grouping of big emerging markets with some clout on specific issues?

These recurring questions will linger for the coming year. The question is whether

Brazilians view BRICS membership as a boost to the country's standing in global trade and financial arenas

the summit might clarify what may and may not be expected from these countries and their experiment in a coalition that speaks the language of reform and construction of an alternative, more representative, inclusive international order.

Participating in BRICS has enhanced the view in Brazil of its potential for a higher global profile. The combination of robust economic performance and proactive diplomacy has formed a perception that Brazil might soon join the club of world powers.

To most Brazilians this is an abstract affair, but business elites, diplomats, academics and journalists value the idea that the country's prospects, especially for long-term economic growth and the redress of social ills, are tied to international recognition and translated into more representation in multilateral forums. Brazil's approach to BRICS is pragmatic: it values the enhanced prestige as a player in important political arenas, as well as the increased legitimacy attached to the label that reinforces a very Brazilian perspective about the effectiveness of international institutions and appropriate representation of the developing world in decision-making.

Generating ideas

In 2011, Brazil floated proposals for a coordinated BRICS approach to the eurozone crisis, with an emphasis on establishing country-specific stability funds managed through the International Monetary Fund (IMF). This strategy was coherent with the goal of strengthening the role of emerging economies in international financial governance, particularly regarding voting rights at the IMF. When China later considered creating a special fund to invest in European bonds, it emphasised the intermediation of the IMF.

This is just one example of how the BRICS members see the group as a useful forum to float ideas outside the framework of western-dominated institutions, and perhaps as a mechanism for policy coordination. Brazil has questioned whether the next president of the World Bank should be appointed by the United States – an issue that may be discussed at the summit, given its priority of global governance reform. As with the IMF, there is no consensus on how to pick a candidate. The BRICS members are not likely to take bold action on the matter, or perhaps may decide it is not worth antagonising the United States at present. However, the relative fragility of the US international position could offer an interesting opportunity for a more affirmative stance.

The combination of robust economic performance and proactive diplomacy has formed a perception that Brazil might soon join the club of world powers

An instrument for reform

Brazil does not see the BRICS as an anti-western coalition. Nor does it see the bloc's future as a more institutionalized multilateral forum. Its value is in its flexible format and in the combination of a strong group identity that confers prestige, influence, space for autonomy and pursuit of individual interests. This win-win arrangement has achieved important objectives in reforming international financial institutions and strengthening the G20. The goal of reforming global governance unites the five countries. It is particularly important for Brazil, which considers the democratisation of the architecture of global governance a strategic foreign policy goal.

However, sustainable development and long-term economic growth are also core national interests that inform the vision of how much autonomy international institutions should have vis-à-vis sovereign states. Brazil and its BRICS partners have frequently said that an expanding global political space governed by stronger institutions is a liberal idea that has concentrated power and wealth in the West. These countries cannot be expected to pool their power resources in schemes that transfer sovereignty from states to multilateral institutions in ways that might limit their future economic performance.

The environment is one such issue. The New Delhi Summit takes place a few months before June's United Nations Conference on Sustainable Development (Rio+20). The leaders are keen to define it as being about development, poverty reduction and the green economy, not just the environment. They will also oppose the proposal to create an international environmental organisation, maintaining that individual states are more effective in implementing sound environmental policies.

Developing cooperation

Finally, while BRICS leaders will discuss the global recession and measures to maintain economic activity, they will probably focus on consolidating BRICS as a group; in other words, in improving cooperation in areas of common interest – food security, energy, science and technology – as well as dealing with political issues where interests do not always converge, such as trade and security.

Brazil's approach is not to overextend the agenda to avoid fuelling unrealistic expectations – better to limit the scope and achieve concrete results that contribute to a common agenda. This probably goes against the expectations of many who would like a more ambitious agenda to emerge from New Delhi. However, the main achievement of BRICS until now has been to gather an unlikely group of countries under a shared view that the international order should change and that developing countries must have a say in that reform. Preserving and consolidating this political capital requires caution in its use and additional efforts at constructing a common collective identity for members. ■

Brazil as a global trading partner: does being in BRICS help?

Brazil has recently been implementing an assertive foreign policy and, equally, the BRICS countries as a group could make the most of their increasing economic power by adopting a common agenda to negotiate global priorities

By Fatima Berardinelli, Adriana de Queiroz, Leonardo Paz, Renata Dalacqua and Andressa Maxnuck, Brazilian Centre for International Relations*

After a few decades fighting inflation, a combination of macroeconomic policies implemented since the mid 1990s has put Brazil on a different track. Benefiting from high international liquidity, it has succeeded in redeeming external debt and interrupting the historical boom-and-bust pattern of economic growth. This new situation has allowed innovative public policies to improve social and economic indicators – from education to income distribution – to be put into practice.

Seeking recognition as a global power, Brazil has implemented an assertive foreign policy in recent years. It has focused on active diplomacy and ever-present participation in international affairs. Therefore, an understanding of the rise of Brazil in economic and political terms would help to value the country's role as a global trading partner.

Starting with its economic accomplishments, Brazil has experienced both internal and external favourable momentum. Domestically, it has achieved outstanding results in social indicators, although its growth in gross domestic product (GDP) is the lowest among its BRICS partners. It has attained impressive results in social inclusion and mobility. Between 2004 and 2009, around 27 million Brazilians were raised out of poverty and extreme poverty. And between September 2009 and May 2011, 13 million joined the middle class. Growth in household income in Brazil surpassed that of the other BRICS countries. Consequently, Brazilian consumers are no longer considered a potential market – foreign companies have already realised this shift.

Regarding the soundness of the Brazilian financial and banking system, several measures put in place in recent years were tested by the global financial crisis in 2008. The number of bankruptcies observed worldwide had little impact on the country's financial system. The banking and financial sector proved solid and consistent, in part thanks to improved regulation, enhancing the reputation of Brazil as safe for foreign investment.

Brazil has been positioning itself as a supplier not only of commodities – mainly minerals, food and energy – but also of industrial goods, including aircraft. Its highly mechanised agribusiness, and outstanding productivity, give the country an important role in world food security.

One sign of Brazil's continuous economic openness, in addition to its significant increase in exports and imports, is the diversification of its trading partners. Traditionally, its main buyers' markets have been in the West: the US, Europe and South America. In 2009, for the first time, China became Brazil's most important trading partner, surpassing the US. Brazil has now increased or established trade with non-traditional countries, as a result of its active foreign policy. This could represent growing independence from traditional powers, as well as new political alliances.

> The banking and financial sector proved solid after the 2008 global financial crisis, enhancing the reputation of Brazil as safe for foreign investment

While competitive in some sectors, Brazil still faces crucial constraints to its competitiveness. Historically, one such limit has been poor infrastructure and its financial consequences for logistics. Additionally, the complex fiscal framework and a degree of uncertainty in the legal environment increase the time and the cost of doing business. Indeed, the government has been criticised for supposed recent protectionist measures adopted.

International reform

In political terms, Brazil identifies itself as part of a group of emerging powers that are not satisfied with the traditional world order and believe their representativeness – in terms of economic weight, population and territory – could be an important asset in the pursuit of international reform. In this respect, the most emblematic and relevant groupings have been the trading bloc of developing countries at the World Trade Organization (WTO) known as the G20 and the finance G20, in which Brazil has often played a relevant role. The proliferation of forums, in part as a result of the country's strengthening dialogue with non-traditional partners, has contributed to the country's performance and recognition as a global actor. In this regard, BRICS has played an important role as a mechanism for dialogue.

Brazil believes that the WTO – the appropriate forum for dealing with the multilateral trade system – requires updated rules to allow trade and development opportunities to be realised to their fullest and increase trade flows. This special concern is shared with Russia, India, China and South Africa,

Soy farming in Bahia state. Agribusiness is highly mechanised in Brazil, giving the country a key role in world food security

as expressed by BRICS trade ministers in December 2011: "In this process of buttressing the multilateral trade system, we underscore the pressing need to further develop its rules and structure to address, in particular, the concerns and interests of developing countries."

Two practices, in particular, reinforce Brazil's understanding: the concession of prohibited subsidies on export performance or on the use of domestic over imported goods, and the misuse of exchange rates. Both have harmful protectionist purposes and result in trade distortions. The concession of prohibited subsidies – according to the WTO – is an unfair trade practice, yet it persists. It is usually granted by developed economies, particularly in agriculture, to enhance competitive gains. Developing countries demand the extinction of the 'red box' subsidies, as they contribute to food insecurity and deny the potential development, or undermine the competitiveness, of the agriculture sector.

Exchange-rate debate

The misuse of exchange rates is forbidden by the International Monetary Fund (IMF) but not the WTO, where generic provisions on the distortive effects of exchange measures allow for dubious interpretation and loose action. Brazil raised the possibility of a currency war at the WTO in 2011, suggesting a programme to debate the matter. Issues under consideration include the impacts of artificial exchange-rate misalignments on trade flows and the effectiveness of WTO rules.

The G20 developing countries have so far remained cohesive in the Doha trade negotiations, and the BRICS members have had an important role in the finance G20 in calling for reforms at the IMF and at the World Bank. However, it was the international financial crisis and its consequences, particularly in Europe, that offered BRICS countries an opportunity to establish a coordination mechanism, and to promote themselves as global powers in changing the voting system in international financial institutions. As a more balanced example of global governance, their increasing economic power has given them leverage to fight for specific objectives.

Undoubtedly, having a common agenda could pave the way to success in negotiating global priorities. Such a strategy is important in itself, to create an environment where it is possible to improve trade. However, regarding the topics mentioned above, the current scenario suggests that much work is still needed. It is up to the BRICS countries to make this summit an important step towards achieving such a goal. ■

** The views expressed are the authors' own and do not reflect those of their institution*

South Africa takes its place on the world stage among global powers

The addition of Africa's largest economy to the BRIC members was an important milestone. But South Africa now faces the challenge of aligning its global aspirations with its national interests and those of the continent as a whole

By Francis A Kornegay, Institute for Global Dialogue

South Africa, as a member of the BRICS, cannot be truly considered a global power. However, given its economic dominance in Africa and its geographically pivotal positioning astride the southern sea lanes adjoining the Indian and South Atlantic oceans, it has strategic resonance within a shifting global balance of power. South Africa is a unique gateway into Africa's economic hinterland, as well as a southern link between the eastern and western hemispheres.

As such, because of its unparalleled industrial base and financial and logistical infrastructure, the country serves as a natural platform for local, regional and continental manufacturing for the African market. Most of the other BRICS and non-BRICS emerging powerhouses, such as Korea, therefore find South Africa attractive as an investment destination.

Reinforcing South Africa's global resonance and potential is the emerging regional economy of eastern and southern Africa, linked through the Southern African Development Community (SADC) with the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).

All combined, they form a grand free-trade area in the making, one with a market potential of up to 700 million people. This tripartite free-trade area amounts to South Africa magnifying the geoeconomic strategic depth of its small home market compared with the other BRICS members – at a time when Africa, overall, is surging economically. In other words, through prioritising regional and continental integration, South Africa is projecting itself as a global power from its regional power base in an economically dynamic continent.

The country's status as the continent's leading economy is accompanied by its leadership in promoting peace and security as a means of stabilising the inter-African system. This agenda has been pursued through a variety of interventions involving diplomatic and mediatory engagements throughout Africa. South Africa also contributes troops to peacekeeping and support operations.

Taking a leadership role

The country's role as a non-permanent member of the United Nations Security Council is both an acknowledgement of its leadership in this area, as well as a reflection of the emphasis South Africa places on strengthening relations between the Security Council and the African Union (AU) and the latter's regional economic community pillars.

However, formidable challenges confront South Africa's global power projection through prioritising regional and continental integration, along with peace and security stabilisation. These pertain to the imperatives of domestic reform and policies that must be undertaken in governance, and to how the country interacts with other BRICS members within the context of the 'new scramble for Africa'.

South Africa's fate is intertwined with the rest of Africa – therefore, if other BRICS countries are to support the domestic and African agendas of South Africa, as a fellow BRICS member, their national interests must develop sensitivities to the national and continental interests of South Africa and Africa as a whole.

This is where the new scramble becomes a potential bone of contention between South Africa and its BRICS partners. First, however, what must South Africa do on its own behalf and for its external benefit in advancing its interests and those of Africa?

The monopolised sectors of the economy must be de-concentrated to foster competitiveness and attract foreign investment. President Jacob Zuma's emphasis on infrastructural development in his State of the Nation address is welcomed but the challenges of implementation – which have much do with governance – must be overcome.

Addressing the political challenge

The ruling African National Congress (ANC) must either separate its party decision-making apparatus from that of government or structure a greater institutional synergy between them. It must consolidate this apparatus into an integrated national security strategy.

Why this is the case has everything to do with the disadvantages of having what amounts to a liberation movement, party-state regime at a time of major political turmoil within the ANC. Politics tends to trump policy. This is exacerbated by the absence of an institutional coordinating policy arbiter at the centre of presidential and cabinet decision-making within an inadequate 'cluster system'.

In essence, a vacuum exists at the centre of executive decision-making amid a confederacy of ministerial and departmental silos. These may develop their own policies, strategies and initiatives, which may or may not align with the imperatives of inter-sectoral coordination in the national interests.

In other words, if South Africa is to strengthen its role as a putative global power, it must develop greater governance coherence and discipline with a sense

President Jacob Zuma emphasised infrastructural development during his State of the Nation address to the South African parliament in February

of grand strategy. This, in turn, must be linked to freeing up the economy from sectoral monopolies that stifle economic growth, innovation and competitiveness.

There is an accompanying need for a public-private partnership between government and the private sector in charting and implementing national strategy domestically, within Africa and with BRICS partners.

The urgency of this is brought about by Africa's overall need to regulate external economic influences impinging on the continent's development within a competitive global environment — one interacting with food, energy and environmental security challenges.

On the one hand, in terms of Africa's economic imperatives, South Africa needs other BRICS countries' support in developing appropriate instruments within the BRICS banking mechanism. These should facilitate South Africa's inter-African economic relations overall, especially within the COMESA-SADC-EAC grand free-trade area. But this BRICS currency financing agenda must be accompanied by a joint strategy for regulating the new scramble for Africa.

The country serves as a natural platform for local, regional and continental manufacturing for the African market

Here, China and India, within the BRICS, might take the lead in revitalising the New Asian-African Strategic Partnership. It could become a cooperative initiative with South Africa that safeguards Africa's environmental and human security. This could target land acquisitions, local food security and ecosystem protection. In conclusion, East Asia's economic boom is having a devastating impact on Africa's biodiversity, as traditional medicinal appetites and illegal logging decimate African fauna and flora alike.

South Africa has a special interest in this regard: the wiping out of its rhino population. A BRICS-financed environmental security initiative for protecting Africa's biodiversity, starting with South Africa, would be in order as a matter of urgency. Other BRICS countries could also benefit, as these same appetites threaten their environments as well. ■

Assessing the economic power and potential of BRICS

The BRICS members may vary greatly in size, population and financial power, but they have a number of factors in common – the most important of which is the resilience and growth of their economies despite the global downturn

By YV Reddy, former governor, Reserve Bank of India

BRICS is not a regional grouping of countries in the global economy, but a group of countries spread over the global economy. As an association it emerged more by accident than by political design or the deliberate initiatives of the countries concerned.

The group did not emerge out of common national geopolitical strategies. It came into existence as part of an analysis in the private sector, which identified several countries likely to play a dominant role in the global economy of the future.

The analysis provoked significant interest in these specific countries among actors in financial markets and analysts of the global economy. Subsequently, the countries' public policy representatives met on the sidelines of meetings of multilateral institutions. This evolved into a standing informal group of Brazil, Russia, India and China, with South Africa added in 2011 by the common consent of the original four. The BRICS came into being not out of distress, but at a time of increasing confidence in themselves, and in the process of their active participation in the growth of the global economy.

How BRICS has developed

The initial activity of the BRICS was confined to exchanging views and, where possible, coordinating positions in global forums. This was soon followed up with increasing bilateral cooperation among these countries for mutual advantage.

There are several notable common features of the BRICS members. They are the fastest-growing large economies in the world. They have been relatively resilient in the face of the global financial crisis of 2008. Their financial sector was not excessively leveraged. They led the countries that bounced back from the crisis to impressive economic growth. Most of them have a strong base of domestic savings. The issue of the concentration of wealth is common to these countries.

As a group, the BRICS members account for about half of the world's population and two-thirds of the population of the G20 countries. Yet their gross domestic product (GDP) at current prices is only one-fifth of the GDP of the G20. Despite many common features, there is recognisable diversity in the size of their economies.

The population of BRICS is 2,918 million, of which China accounts for 1,341 million and India 1,191 million, while South Africa has only 50 million. China's GDP, which accounts for more than half the GDP of the BRICS as a whole is $5,878 billion, while South Africa's is $364 billion.

In terms of purchasing power parity (PPP), China's GDP at current international US dollars is $10,120 billion, while that of the BRICS as a group is $19,113 billion. China accounts for about 13 per cent of G20 trade, while South Africa accounts for less than one per cent and Brazil 1.7 per cent; Russia comes second at 2.9 per cent, and India is third at 2.4 per cent. In terms of reserves, China holds $2,866 billion of foreign exchange reserves of the BRICS total reserves of $3,910 billion.

There is also diversity in savings as a percentage of GDP: China's amounts to 53.4 per cent, while India's is at 34.2 per cent. In the other BRICS countries, it is between 16.5 per cent and 25.1 per cent.

The export basket of each country varies as well. China is the global leader in manufacturing, but Russia and Brazil have huge natural resources and commodities exports. India is conspicuous by its impressive export of services, while depending heavily on imported energy.

In terms of current account, three of the five countries generally have current-account deficits, while China and Russia usually have current-account surpluses.

The fiscal position also varies, with some countries having fiscal surpluses and others fiscal deficits. The ratio of public debt to GDP is relatively high in India and relatively low in China.

The demographic profiles are varied. Russia is already facing the problems of an ageing population – a situation that China will probably confront in a few decades. The demographic cycle in India changes considerably across different states, with South India likely to face the issue of ageing the soonest and North India at the other extreme. South Africa will be among the last of the BRICS countries to face this issue.

Different paths to development

The model of development chosen by each BRICS member is characterised by different combinations of state and market. The presence of the public sector is strong in these countries relative to many others. However, the extent of dependence on the public sector varies considerably among the BRICS countries. The public sector dominates in China – the fastest-growing economy among the BRICS members and, indeed, in the global economy.

Each country has adopted its own path to global integration, and the nature and pace of integration vary between them. China has strong supply links with the rest of Asia. The capital account is actively managed by China and, to some extent, in India and Brazil.

Different religions dominate these countries. Between them, they have significant populations of Christians, Hindus, Buddhists and Jains, and as well as many practitioners of Islam, Confucianism and Zoroastrianism. They are also home to several ethnicities. Indeed, there are significant complementarities among the five members for cooperation between them to yield huge benefits.

Representing global concerns

This group of five countries represents the global reality, reflecting within them different sociopolitical, ideological and economic systems. Therefore, BRICS is more representative of the diversity in the global economy than any other group.

The largest numbers of poor citizens are perhaps more likely to be in this group than in any other – hence the hopes and fears of a large number of poor people can be expressed well by this group. The BRICS voice is certain to carry greater weight than any other group in echoing global concerns because it is a miniature version of global diversity and global concerns, be they poverty or climate change.

BRICS members led the countries that bounced back from the crisis to impressive economic growth. Most have a strong base of domestic savings

The group can also set examples of best practices to take advantage of those complementarities in diversity. In today's search for an intellectual framework for future thinking on economic policies, there are many lessons to be learned from the diverse experiences of the BRICS countries in managing their huge challenges with impressive success.

The global economy may be wiser by researching the experience of these countries, both for the knowledge that such study may provide and for understanding the manner in which the growing influence of these five countries in the global economy will evolve.

In any case, the size and the diversity of the group and its ability to reflect global concerns make it far more influential in the global economy than its share in global economic activity alone suggests. ■

The author is grateful to Dr Rajiv Ranjan for his valuable assistance with this article

China is now the global leader in manufacturing, as sales of goods such as air-conditioning units have risen

Potential to boost performance as an engine of global growth

The BRICS group has become one of the most important drivers of the world's recovery from recession, and it could achieve still more in the political and economic sphere if members work towards a higher degree of cooperation

By Mikhail Titarenko, director, Institute of Far Eastern Studies, Russian Academy of Sciences

The emergence of BRICS has become one of the most significant phenomena against the background of a systemic financial and economic crisis, and the growing tendency towards an equitable and more democratic system of international relations.

The five BRICS countries, alongside others with rapidly growing economies, support the reform of an outdated world financial and economic architecture. Priorities include: changing the global economic governance system; reforming the International Monetary Fund (IMF), World Bank and other international economic institutions; accelerating economic modernisation and raising living standards in member states; evolution towards reducing dependence on the global dollar system; and strengthening economic and political security and sovereignty.

Mutual respect

The BRICS countries share a conviction that emerging threats and challenges can be addressed only through joint efforts by the world community based on mutual respect for each other's interests, equality, non-interference in internal affairs and mutual gain. The strategy of members is to maintain close cooperation with other states and international organisations. It is indicative that, in the 2011 BRICS summit declaration, members expressed unanimous support for the G20's efforts to strengthen its role in global economic governance "as the premier forum for international economic cooperation".

The phenomenon of BRICS and its growing role is based on solid economic, cultural and civilisational foundations. These countries account for 43 per cent of the world's population and more than 30 per cent of its territory. They produce 9.5 per cent of global gross domestic product (GDP), which reached $13.6 trillion in 2010; and around 25 per cent of global GDP based on purchasing power parity. The BRICS group has become one of the main engines of the world's recovery from economic recession, having shown high growth rates amid a slowdown and economic stagnation by traditionally leading countries.

In recent years, BRICS countries have provided about 50 per cent of the world economic growth. Their share will increase further, as members' growth rates surpass the average annual growth rate of the world economy. BRICS growth rates are predicted to remain relatively high in 2012 – China 8.7 per cent, India 7.5 per cent, Russia 3.7 per cent, Brazil 3.6 per cent and South Africa 3.6 per cent. According to the World Bank forecast, however, the world economy will grow in 2012 by 2.5 per cent, not 3.6 per cent as previously estimated.

In the following years, major structural changes will take place in these countries' economies, the middle class will expand, urbanisation will intensify, their domestic demand will continue to grow, and cultural, scientific and educational spheres will develop actively, which will in aggregate provide the safety cushion necessary for the current unstable global conditions.

With the world's largest resource potential and huge labour reserves, BRICS members are becoming increasingly oriented towards high-tech industries and innovation. The cultural and civilisational potential of these countries is evolving rapidly. China, India and Brazil emphasise education, science and all areas of culture in their long-term development plans. Socially oriented modernisation programmes strengthen the stability of the members' political systems, and the BRICS countries are considered by international financial institutions as attractive for investment.

Rapid increase in trade

From 2001 to 2010, the total trade among BRICS countries increased annually by 28 per cent, reaching $239 billion in 2010. Russian-Chinese trade has been developing rapidly – about $80 billion in 2011 – as has trade between China and India – $61.8 billion in 2010. But BRICS countries and their economies still underuse their strong complementary potential. They remain focused on the developed European countries and the United States.

The BRICS countries have become an important factor in forming a polycentric world. At meetings, they present a programme of action to stabilise the world economy and to harmonise and democratise international relations. These efforts have yielded results. The BRICS countries jointly proposed to shift the voting power at the IMF from advanced to developing countries by seven per cent. In April 2010, at the second BRICS summit in Brazil, the leaders indicated the importance of reforms of the Bretton Woods institutions and changes in favour of emerging economies and developing countries "to bring their participation in decision-making in line with their relative weight in the world economy". The countries also agreed to study trade and financial settlements in national currencies, and have started to use the national currencies in their transactions.

It has become customary to coordinate BRICS participation in different international events and organisations.

A Citibank branch in Shanghai. Social modernisation in China and across the other BRICS countries is increasing their political stability and making them attractive to international financial institutions

BRICS countries also deal with major global issues. Their cooperation in the United Nations Security Council brings real potential for strengthening international peace. Members act on the premise that the international community needs to free itself from the Cold War mentality, combine efforts to fight the rising contemporary challenges, and use political and diplomatic methods to settle international conflicts.

At the UN General Assembly, the BRICS countries have supported draft resolutions on transparency and confidence-building measures in outer-space activities, prevention of an arms race in outer space, draft resolutions in the information security sphere, and the resolution on "inadmissibility of certain practices that contribute to fuelling contemporary forms of racism, racial discrimination, xenophobia and related intolerance".

From 2001 to 2010, trade among BRICS members increased annually, but BRICS economies still underuse their strong complementary potential

The huge civilisational potential of the BRICS countries, with their great cultural values, facilitates broad cooperation for countering violence. The members offer an example of mutually enriching dialogue, as opposed to provoking a clash of civilisations.

The success of BRICS as a global forum will be influenced by the extent to which members can institutionalise ways to reconcile interests and cooperate in business in different spheres. Regular leaders' meetings, and the creation of multilayer forms of cooperation at the levels of ministers, business, science and culture, indicate that all stakeholders are ready to deepen cooperation and increase its effectiveness. Simultaneously, BRICS is a new, complex cooperation format, not yet consolidated. Its members' interests and aims, which they pursue in international affairs, do not coincide completely. Contradictions remain, but this ought not to impede cooperation where interests coincide in meeting common challenges. The parties have enough wisdom and experience to resolve arising issues and difficulties by consultation.

Together with its BRICS partners, Russia will continue its efforts to build a new world order on the basis of international law, justice, equality and common security. ■

The challenge of becoming dynamic hubs of knowledge and innovation

BRICS countries have reached a stage where they need to shape, rather than adapt to, the global economy. To do this, they need to move on from 'local-contentism', using it as a springboard to allow them to become growth engines

By Marcos Troyjo, co-founder and director, BRICLab, Columbia University, US

The idea of BRICS emerged as one pertaining to how the future will be built. These great countries have reached the status of economic powerhouses because, for the past three decades, they have been able to adapt successfully to the changing contours of the global economy. In a world where generating jobs is key to economic success, Brazil, Russia, India, China and South Africa have been able to pursue alternative strategies so that their economies were always busy in providing local content.

Beyond local content

The future for the BRICS members as growth engines, however, must reside not in efficiently adapting to the global economy, but rather in effectively shaping it. This process will necessarily entail these countries evolving from being successful local content providers towards becoming dynamic hubs of knowledge and innovation.

As global capitalism struggles to find a way out of its present existential crisis, a strong trend is becoming apparent in the world economy, a trend that goes beyond BRICS. Against a backdrop of uncertainty, countries are increasingly adopting industrial and trade policies based on what could be called 'local-contentism'.

The practice is becoming the most recurrent tool in bulking up a country's capacity to compete in world trade and attract investment, regardless of whether it is targeted at infant industries, high-tech sectors or more mature, old-world manufactures. The world is experiencing far more than just currency wars. Exchange-rate tactics make for ancillary rather than decisive battles. The world has set the stage for 'clashes for competitiveness'.

Many confuse local-contentism with defensive trade measures erected against artificial exchange-rate stratagems that boost the attractiveness of a country's exports. There are clear differences, however, between local-contentism and old-school protectionism. While the latter is essentially about import quotas and tariff barriers set up to protect what is national, the former idolises foreign direct investment (FDI) and makes extensive use of government procurements as bait. After all, local-contentism is about being local, not necessarily national.

Successful local-content initiatives enacted by the BRICS members have parted ways with the traditional forms of xenophobic protectionism that plagued economic policies during much of the 20th century. One no longer speaks of the nationalisation of industrial assets, as if wealth resides in possessing physical facilities, not in people's talents or knowledge-intensive processes.

If local-contentism becomes an across-the-board philosophy, ever-growing economic imbalances and further international inequality are likely

But the recent move towards local-contentism is also visible in the US and Europe. This year's presidential campaigns in the US and France are centred not on free markets or enhanced regional economic integration but, instead, on the job creation side of local-contentism.

Vigorous diplomacy

China's hyper-competitiveness, for example, is the supreme case of intricate, sophisticated local-contentism policies, which since 1978 have included four elements: public-private partnerships as a springboard for exports and attracting FDI; the (still) low cost of China's domestic factors of production; privileged access to the world's main buying markets; and a vigorous business diplomacy, with two Chinese trade and investment missions visiting the US and Europe every day.

The hyper-competitiveness of the Chinese, driving its annual gross domestic product in terms of purchase power parity to more $10 trillion, has produced a virtual eclipse in the world economy. Apart from the traditional global economic centres in the US and Europe, China has now become a 'new centre'.

Brazil, Russia, India and South Africa have major concerns of their own over how the rise of China contributes to the de-industrialisation of their economies. Nevertheless, these countries have been able to offset China-led de-industrialisation at home partially by re-industrialising through their own version of local-contentism.

One reason Brazil has been able to accumulate enough capital to foster local content is that China has overtaken the US and European Union as Brazil's top trading partner and one of its prime sources of FDI. China's appetite for agricultural and mineral commodities, where Brazil has competitive advantages, has automatically extended economic

cooperation to other areas – such as logistics, infrastructure and aircraft.

Brazilian, Russian, Indian and South African manufacturers, which worry about a flood of Chinese goods into their markets, would appreciate their governments taking action in the form of quotas and other import restrictions. However, they are less critical of China's exchange-rate policies and more vocal in denouncing their own outdated and non-competitive domestic labour and fiscal laws, shortage of domestic infrastructure and high cost of capital, which hurt these countries' domestic and international competitiveness more than China's cheap renminbi does.

As a consequence, if, on the one hand, local-contentism is a pillar upon which China built the components for becoming a global growth engine, on the other, it is also one of the concepts that countries are implementing to fight China's hyper-competitiveness.

Thus the near future may see fewer 'made in the world' goods coming from 'network corporations' that in the heyday of globalisation combined worldwide logistics, supply chains and talent pools to achieve productivity gains, and more of these processes taking place simultaneously in a single country.

Even China, which based its prosperity on a trading nation strategy, will have to model its local-contentism not so much on the way it sells to the world, but rather on how China buys from the world. Major contracts by China's government, corporations and consumers as buyers will have to support activities carried out locally, generating local jobs and taxes.

Although local-contentism can benefit one country or another for several years, the global economy will pay a heavy price for the loss of efficiency it brings about. If, instead of playing a part in a country's catching-up strategy, local-contentism becomes an across-the-board philosophy for our times, ever-growing economic imbalances and further international inequality are likely.

If, alternatively, local content remains an essential part of BRICS members' industrial policies only up to the point where the countries' corporations can compete on a level playing field, then the BRICS countries' vocation as global growth engines will be confirmed. Should the BRICS members be able to translate their local content policies into springboards for knowledge and innovation, they will certainly become the world's most dynamic, prosperous and influential group of countries. ■

Graduates at a jobs fair in Nanjing. Other countries are now adopting the local-contentism that has made China hyper-competitive in recent years

International cooperation: a need for capacity building

BRICS could have a substantial influence on world economics and politics, but to bring this about, the member countries need to create a multilayered mechanism that would harmonise both political and economic national interests

By Georgy Toloraya, executive director, National Committee of BRICS Research, Russia; chair, Regional Projects Department, Russkiy Mir Foundation

Can the BRICS evolve into a global 'second layer' of countries – home to three billion people – without radically challenging the existing global economic order? Or will it remain an ad hoc coalition of countries, each of which would use to pursue its own interests, without much regard for preserving common interests or working out common values for common prosperity?

The crucial issue here is the ability of each of these five countries to sacrifice at least some of its non-core interests for the common public good and the vital interests of the group as a whole, as well as to overcome existing and emerging bilateral contradictions amicably. After all, the BRICS countries' national interests do diverge on some issues. This is also not simply an interstate group, but a 'cross-civilisation' one. There is no dominant centre that can force its vision on the others, as in the Western alliance. This factor underlines the growing importance of a multilayered mechanism that would harmonise national interests, both political and economic, in order to speak with one voice. Such harmony would be of enormous benefit to this group of countries, as well as to world stability.

For such a scenario to unfold, the five countries should create a network of coordination and a mechanism to work out a common vision and to implement it. But their ability to do so is still doubted. As Joseph Nye has written, BRICS "is unlikely to become a serious alliance, or even a political organisation of like-minded

The Chinese and Indian leaders' meeting before last year's summit. BRICS is not simply an interstate grouping, but also a cross-civilisation association

states. More aptly, it should be seen as a locus for critics to occasionally tweak the tail feathers of the eagle." Nonetheless, although BRICS started as a grouping of economies, it has swiftly become a political project, and this is what holds it together. If there were no Western dominance, the BRICS countries would not have felt the need to join hands to resist it. Nor was the coordination of their economic and foreign policies expected initially.

At the same time, the recent failure of the BRICS countries to find common ground on Syria and the measures to be undertaken by the global community – as demonstrated by division at the United Nations, where only Russia and China voted against the resolutions on Syria that they considered 'unbalanced' – showed limits to the BRICS countries acting as a single bloc.

Can a common strategy for prosperity be worked out if there is no consensus among governments? Can a lack of commonality hamper the transformation of the international division of labour, which grossly distorts international trade rules in favour of Western countries? Will the BRICS members put up with the existing model, with its bubble of a 'virtual economy' dominating the 'real' sector? Can they change it without speaking decisively in a single voice? The core of a joint economic strategy is that the BRICS countries should simultaneously overcome poverty and achieve sustainable development while introducing innovations in their real economies, as well as suggesting a model of a fair world order, in both politics and economics.

Engine for global growth

The discourse on BRICS focuses mostly on the five countries' role within the existing global system. Discussions concentrate on growth rates, industrial structures, trade, financial markets, currencies and debt. The BRICS countries – sometimes with the addition of the new 'growth markets' of Turkey, Indonesia, Mexico and Korea, or even the 'next 11' countries, as Jim O'Neill of Goldman Sachs calls them – are described by Russian presidential aide Arkady Dvorkovich as the 'chief engine for global growth'. Economists, who see BRICS mainly from that point of view, tend not to regard the five countries as an emerging entity with a joint vector of interests that might deviate from individual interests. Therefore, the idea of any need for a coordination mechanism – as opposed to ad hoc schemes – for BRICS is alien.

On the contrary, this school of thought sees BRICS as an amorphous, temporary phenomenon, perhaps to be replaced by other countries such as Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa – often referred to as CIVETS. In this context, those in this school predict the possible 'failure' of BRICS, citing issues such as the BRICS countries losing their investment attractiveness, a probable hard landing of the Indian economy, the possibility of a critical five per cent reduction in China's annual economic growth, and political risks in Russia.

A more meaningful approach concentrates on the role of BRICS in global governance, and the possibility of changing the rules of international economic and financial cooperation. Although much research – mostly by experts in diplomacy and area studies – deals with bilateral relations and cooperation, the issue of a common interest is becoming more pronounced. An understanding of shared interests is necessary to reform the global economic and financial architecture – in which the role of the BRICS countries remains subordinate – and, subsequently, global governance.

This is still an untested field, given the national interests of the five countries, the plausibility of them forming an alliance, the contradictions among them and the possibility of an emerging 'new power' in global governance in the form of a union. These issues have become part of "the wider global debate revolving around a changing balance of power within the international system from West to East", as Aglaya Snetkov and Stephen Aris have written.

Promoting multiplicity

Russia already sees this institutional capacity building as crucial. In 2010, President Dmitry Medvedev stated that "Russia would like cooperation among the BRIC countries to become a major factor of multilateral diplomacy, and to make a substantial contribution to promoting the nascent multiplicity and development of collective leadership by the world's leading countries." Prime minister Vladimir Putin urged the five countries "to establish closer coordination on foreign policy [and] cooperate more closely in the UN", adding, that if the five countries "are in full swing, their influence on world economics and politics would be substantial".

The rationale for a coordination mechanism, as official Russian discourse notes, is that the BRICS meetings are stepping stones for reshaping the global economic landscape following the recent financial crisis. The idea of a 'supranational global structure' that can become a centre of global power is attractive to many pro-government experts in Russia, although some liberals discard it as a doomed anti-Western venture. In practical terms, any idea of a joint financial structure – such as the interbank suggestion by India – is worth exploring. Whatever the modalities, institutionalisation is essential for the future development of BRICS as a group. ■

An understanding of shared interests is necessary to reform the global economic and financial architecture and, subsequently, global governance

Can a BRICS monetary arrangement resist the G7 wall of money?

With the risk of global monetary instability looming, BRICS members could consider creating a synthetic currency unit – both as a form of insurance and for political symbolism – as an alternative to the major established currencies

By Martin Gilman, former assistant director, policy department, International Monetary Fund

When in 2010, at the conclusion of the second BRIC summit, the Chinese and Russian leaders expressed a desire to explore the possibility of developing regional monetary agreements, they were prescient in their view of the possibility of monetary turbulence in the global economy.

No doubt their intention was less audacious, since the idea of a regional monetary agreement was almost an afterthought. The apparent motivation mentioned by then Russian prime minister Vladimir Putin at the time was seemingly to avoid the transaction costs of a third currency, usually the US dollar. Subsequently, little progress was made. However, perhaps these leaders inadvertently raised a point that may eventually represent a modest, although largely symbolic, contribution to the emerging international monetary order.

Can a regional monetary agreement be relevant to BRICS countries? These intergovernmental agreements run a wide gamut, including: currency unions such as the eurozone, the East Caribbean Monetary Union and the Central African Franc zone in Africa; technical agreements to facilitate trade financing under situations of foreign-exchange constraints, to G10 swaps introduced in the 1960s, and multilateral swap arrangements introduced in 2000 under the Chiang Mai Initiative; even synthetic currency units such as the special drawing rights (SDRs) created by the International Monetary Fund (IMF) in 1969, or the European currency unit (ecu), created by the European Union (EU) in 1979 to improve central bank monetary coordination.

One key reason for various regional and bilateral monetary arrangements has been to reduce costs, real or perceived, in whatever was the global system of its day. In the current dollar-dominated system, there is an obvious political appeal in alternatives to the use of a third currency in mutual trade among BRICS members and other countries. However, at least until now, the economics have not been compelling. For the BRICS, with abundant foreign exchange and well-established trade financing facilities, there is no obvious economic justification for a regional monetary agreement.

Nevertheless, as a form of insurance and for political symbolism, there may actually be some justification to move a step in the direction of developing a BRICS-based alternative to G7 currencies.

Failure to maintain discipline

The global monetary order risks collapse for many of the same reasons that other arrangements of the past 100 years – namely the gold standard and the Bretton Woods system – failed. One or more major players could not abide by the monetary discipline necessary to maintain the integrity of the system.

In a heroic, but ultimately misguided, effort to stimulate their debt-laden economies, the largest G7 central banks have expanded their balance sheets, vastly increasing the quantity of their currencies in the aggregate.

The steps taken by G7 central banks to flood the world with liquidity warrant a reconsideration of the idea of a regional monetary agreement, both as a limited step to insulate the BRICS and others from this wall of money and to send a message that the monetary misbehaviour of the current reserve currency central banks will increasingly face alternatives. While financial markets will, no doubt, develop suitable instruments for redenominating the prices of global transactions in some numeraire other than dollars and euros, there is no reason that BRICS governments should not push in this direction as well.

The unprecedented explosion of G7 central-bank balance sheets – from a combined $3.5 trillion just over three years ago to more than $9 trillion by the beginning of 2012 – represents a leap in the dark in policy terms. The creation of so much money usually ends in tears, with a spike in inflation and nominal interest rates. At best, there could be a period of international monetary instability, which will inevitably worsen in view of the likelihood of further recourse to liquidity injections by the US Federal Reserve, the European Central Bank, the Bank of Japan and the Bank of England.

This policy stance by the G7 is inconsistent with the interests of BRICS. The wall of liquidity fuels commodity prices, such as the recent oil-price spike, real-asset bubbles and surges in capital flows. Management of macroeconomic policies in the BRICS countries becomes even more complicated, with possibly adverse consequences.

What is to be done? Other currencies – such as those of Switzerland, Singapore and Australia – are either too limited or do not yet display the characteristics of a reserve currency that could play a global role.

It is both premature and unrealistic to envisage that the renminbi, rouble, rupee or real would become a reserve currency at this stage, nor is it clear that such a

A period of international monetary instability could result in further liquidity injections by the European Central Bank and its international counterparts

move would even be desirable. A modest step would be to recognise that there is an opportunity, perhaps even a need, for a new benchmark in the international monetary system. Already there has been an increasing tendency of economic analysts to look at various developments in terms of the price of gold or oil. BRICS could help prepare for the day when dollars and euros may no longer seem sufficient as reliable benchmarks for the world economy, especially for the BRICS countries whose economic performance continues to overtake the G7. Since the SDR is a basket of the very currencies that are at risk, it obviously cannot play such a role.

Alternative benchmark

The BRICS members could take a modest initiative. They could decide to create a synthetic currency unit – let's call it a BRIC – which could be used as an alternative international benchmark or indicator alongside the dollar and the euro.

The historical precedent for a BRICS synthetic currency unit would be the ecu, which was created as a numeraire for intra-EU transactions

The historical precedent for this unit would be the ecu, which was created as a numeraire for intra-EU transactions. In principle, it would be easy to design as it would be defined by fixed amounts of renminbi (as the dominant currency), the rupee, the rouble and the real. It would, at least at first, serve only as a unit of account for intra-BRICS transactions.

A new unit of account promoted by the BRICS could serve several purposes: it could provide a modest form of insurance should monetary turbulence arise. It would signal to the G7 and to investors that BRICS members intend to take a more active role in international monetary affairs. The political significance of such a gesture should not be ignored. Technically, the preparations are simple. No new administration is required, other than BRICS central banks starting records and key series stated in the new currency basket unit. It would have no operational content at this initial stage.

In the longer term, such a unit of account, once accepted, and especially if the dollar and euro prove to be unstable, could even be used for transactions such as bond issues. Right now, if the global reserve currencies were to collapse, gold – with all its limitations – might be the only viable numeraire. Better for the BRICS to create an alternative numeraire that, at least, could serve as a modest insurance for the BRICS countries againt the day when credibility in the post–Bretton Woods arrangements finally implodes under the weight of a wall of money. ■

Reserve currencies and the international monetary system

Despite high debt levels and downgrades, investment in dollar and euro assets persists. If reserve currencies are to be diversified, issuers need to build a convincing macroeconomic framework and a deep and well-regulated financial system

By Sergei Guriev, rector, New Economic School, Moscow, Russia

The international monetary system is entering uncharted waters. Never before have all issuers of reserve currencies faced such severe fiscal challenges. Holders of US dollar assets are nervous, as the ratio of US debt to gross domestic product (GDP) now exceeds 100 per cent of annual GDP. The eurozone's debt is already in excess of 80 per cent of GDP and will soon reach 90 per cent. This is much higher than the 60 per cent maximum specified in the Maastricht Treaty signed by all eurozone members. Moreover, Japan's debt is above 200 per cent of its annual GDP. Such high levels of debt have led to downgrades of sovereign ratings in these countries.

Why has such a situation emerged? What will happen to the reserve currencies if their issuers default or restructure their debt or inflate it away? What, if any, is the alternative to the current system?

It is no coincidence that, during the recent global financial crisis, issuers of reserve currencies saw an explosion of their debt levels. First, the increased uncertainty resulted in a 'flight to safety', with most global investors moving from emerging-market assets to the safe havens of reserve currencies. This pushed down interest rates in the developed countries – in some cases, all the way to zero. Second, given the low interest rates but also making up for the weak aggregate demand during the recession, the issuers of reserve currencies undertook unprecedented fiscal expansion.

Given high debt levels and downgrades, why do global investors – including those from the emerging markets – continue to invest in dollar and euro assets? The reason is that, even with the current debt levels, the quality of those assets is still higher than any of the alternatives. The implications are that to diversify the system of reserve currencies, issuers of other currencies must build a convincing macroeconomic framework and a deep and well-regulated financial system.

Lack of viable alternatives

The alternative solutions would not work. Indeed, suppose that an artificial currency is created – for example, the special drawing right (SDR), which is a fixed-weight basket of dollar, euro, pound and yen. Can the SDR replace the existing reserve currencies? Certainly not: if there is a demand for such a basket, it would be possible to hold SDRs without any international regulation – everybody can 'build their own SDR' by holding the four reserve currencies with the given weights. Moreover, if the G20 or the International Monetary Fund (IMF) forces countries to use SDRs in their transactions, those countries will be able to return to their optimal composition of reserves through buying or selling respective underweight or overweight currencies.

The Chinese currency is usually named as the main competitor to the dollar in coming years, but for this to happen its financial market needs to be liberalised

Competing with the dollar

What is to be done to create a new reserve currency? The renminbi and the rouble are two good case studies. The Chinese currency is usually named as the main competitor to the dollar in the coming years. This goal is within reach, as the Chinese economy is one of the largest in the world and is active in international trade and investment. However, for this to happen, its financial market needs to be liberalised so there are no limits to buying and selling renminbi. Its monetary policy should be conducted by an independent central bank. The Chinese government plans to move to a floating exchange rate in several years. It will take a few more years to prove that this policy is credible.

The challenges with the rouble are different. Russia's economy is much smaller than China's. However, the rouble may become the global oil currency of choice. Russia is the largest producer of oil and gas, which account for most of its exports. Therefore, holding rouble assets protects oil-importing countries from price hikes. But Russia, too, must make some changes.

First, it must lower inflation so there is no excessive inflation tax on rouble holders. Second, Russia must depoliticise the rouble exchange rate. One of the lessons of the 2008 global financial crisis was that the Russian government can interfere in the foreign exchange market to support the rouble above its equilibrium market rate. Those investors who expected the rouble to weaken after oil prices dropped failed – as the political decision was made to reduce the reserves, but keep the rouble high.

The cost of this decision was high, and the Central Bank of Russia learned a lesson. In particular, when the rouble weakened in

August-September 2011, the Central Bank only smoothed the volatility but did not defend the rouble. This led to no negative implications, which in turn strengthened the bank's commitment to a floating exchange rate and inflation targeting.

However, that is not the end of the matter. While markets understood that the Central Bank of Russia would not support the rouble from below, it is not clear what would happen if there was a capital inflow and the oil price was high. In this situation, market equilibrium will result in a current-account deficit. What would the Russian government do in this case? There would be pressure on the Central Bank to buy dollars and sell roubles – to make sure that the rouble was below its equilibrium rate. If the bank successfully implements its commitment to the flexible exchange rate even in this case, outside investors will start considering the Russian rouble as a legitimate reserve currency.

To summarise, the existing system of reserve currencies is not sustainable in the long run. But there is no chance to replace it in the short run. The new currencies will take many years to emerge as global reserve currencies, but this is an important process. Indeed, only if there are alternative reserve currencies will global investors stop seeing the dollar and euro as the only reserve currencies. This, in turn, will result in higher interest rates on dollar and euro debt. Therefore, there will be a market pressure to reduce budget deficits in the developed countries, and that will reduce global imbalances and make the world an economically safer place. ■

Investors watch share prices at a stockbroking firm in Fuyang, eastern China. The country plans to move to a floating exchange rate in a few years

Plenty to gain from strengthening financial links among BRICS

The BRICS countries need substantial levels of investment and access to capital sources in order to modernise and overcome structural limitations. Further financial cooperation between countries could help them to achieve these goals

By Vladimir Dmitriev, chair, Vnesheconombank

The past decade has been a period of rapid economic development for the BRICS countries, despite the global financial crisis. In 2010, their share of the global gross domestic product (GDP) exceeded 25 per cent, whereas in 2000 it amounted to only 17 per cent. A decade earlier it was less than 15 per cent.

In the next few years, the economic growth rate of the BRICS members will be considerably higher than that of other countries. According to the International Monetary Fund (IMF), by 2016 it will reach about seven per cent, while the world economy will grow by 4.2 per cent annually. By the end of 2015, the BRICS share of global GDP may surpass 40 per cent.

The BRICS countries face the challenge of modernisation, which requires considerable investment that, in turn, requires access to capital sources. To ensure further growth, their economies must overcome their structural limitations.

However, listed among the BRICS members' largest banks are powerful financial development institutions. In 2010, the volume of the Brazilian Development Bank's assets was almost 16 per cent of that country's GDP. The China Development Bank's assets exceeded 13 per cent of GDP.

As a whole, BRICS banking systems have endured the crisis better than the Western banks, and now have asset portfolios of better quality. During the crisis, development banks were actively involved in anti-crisis programmes, which were important in supporting national economies.

Development banks contribute considerably to their national financial systems, which provide credit to the non-financial sector in smaller volumes than in developed states. In China, South Africa and Brazil, lending to the real sector of the economy is developing more dynamically. In 2010, the volume of bank credit to the non-financial sector totalled 146 per cent of GDP in China, 182 per cent in South Africa, and about 100 per cent in Brazil. In India and Russia, the figures were substantially smaller.

Addressing structural problems

Large companies, and BRICS governments themselves, raised funds in global capital markets before the crisis. But this potential has decreased during stagnation. With ratings that are close to the level of sovereign ratings, the BRICS financial development institutions can raise funds in foreign markets on favourable terms. These funds are allocated to addressing the structural problems of national economies.

National development banks can become centres of lending in national currencies, entering bilateral currency swaps among themselves

Development banks can thus partially substitute financing and expertise that is not accessible to national agents within the limits of their national banking systems and international capital markets. Development banks have a good reputation that makes them attractive partners for large foreign investors willing to enter into joint projects. This additional source of investment provides support for meeting the challenges of modernisation.

The BRICS countries account for 17 per cent of total world exports. However, trade relations among them do not yet correspond to their role in the world economy. In 2011, trade among the BRICS made up only 1.5 per cent of global exports, although in recent decades this figure has grown – since 2000 it has increased fivefold.

At the 2011 Sanya Summit, state financial development and export promotion institutions from the member countries signed the Framework Agreement on Financial Cooperation within the BRICS Inter-Bank Cooperation Mechanism. The document aims to strengthen financial cooperation among partner banks and provide support for financial institutions and companies entering capital markets in BRICS countries. It will also help to promote trade and economic relations, and increase turnover among BRICS members.

Bilateral trade among BRICS countries will expand. Indeed, it is in their mutual interest to create favourable conditions for such expansion. The gradual rise in the share of national currencies used in settlements within BRICS countries, and the expansion of mutual lending in those currencies, are steps in this direction. The use of currencies refers to credit supporting the implementation of investment projects, as well as trade financing. Expanding the use of national currencies in settlements will also contribute to more transparent pricing in bilateral trade, and reduce dependence on the fluctuations of other exchange rates. It will cut the foreign-exchange costs for trading participants, which can be up to four per cent of the transaction volume.

As Russia's economy continues to develop, the rouble is becoming increasingly likely to join the euro among the world's major reserve currencies

However, the use of national currencies in settlements is constrained by inadequate regulatory systems for foreign exchange in BRICS countries. Currency regulations often promote international payments in dollars or euros, rather than in national currencies. National foreign exchange regulation thus needs to be simplified gradually.

National development banks – parties to the BRICS agreement on financial cooperation – can become centres of lending in national currencies, entering bilateral currency swaps among themselves. Credit can be provided both at the interbank level and to final borrowers. Partner banks have been finalising the agreement on the general order of opening credit lines in BRICS national currencies.

Vnesheconombank, Russia's development bank, has established connections with its counterparts in the BRICS countries, both within the framework of the Memorandum on Cooperation between BRICS Countries State Financial Development and Export Promotion Institutions and bilaterally.

Multilateral investment projects

Priorities for cooperation – apart from joint financing for investment projects and lending in national currencies – include providing support for financial institutions and companies entering BRICS capital markets, exchanging experience and implementing joint actions in personnel training. Further cooperation among development banks, the opening of new credit lines and the establishment of joint bilateral and multilateral investment projects will increase the use of national currencies in settlements and lending.

Such cooperation is an important step towards the transformation of the BRICS countries' monetary units into regional settlement currencies and, later on, into reserve currencies. For Russia, the rate of inflation having dipped to the lowest level for the past 20 years – 6.1 per cent – in 2011 is an important precondition for the rouble to become one such currency. ■

Fuelling investment among BRICS countries

Although foreign direct investment into and out of BRICS risen, investment between member countries is low. Measures that could boost such investment include pilot projects chosen by each member and the creation of a development bank

By Leonid Grigoriev, deputy director general, Russian Energy Agency; head, chair of global economy, Higher School of Economics, Russia; and Alexandra Morozkina, chief specialist, division of analysis of investment and financial problems, Russian Energy Agency

The past decade has witnessed a sharp increase of foreign direct investment (FDI) flows into and out of BRICS countries. Total inflows in the BRICS countries increased threefold between 2000 and 2010, while outflows over the same period surged 20 times. The peak was reached in 2008, when the group reached 15 per cent of global FDI inflows and eight per cent of outflows. In 2009, FDI flows began to fall, but this was followed by recovery in 2010.

Minimal investment between members

However, investment among BRICS countries remains close to zero, even though cooperation has deepened since the first' meeting in 2006 – before South Africa became a member. FDI flows from China to Russia in 2010 accounted for only 1.4 per cent and 0.8 per cent of Russian FDI inflows and Chinese FDI outflows. FDI flows from India to Russia are even smaller compared with the total sum: 0.7 per cent and 0.5 per cent of Russian FDI inflows and India's FDI outflows, respectively.

This significant underinvestment can be overcome by strengthening levels of cooperation among the BRICS members, both bilaterally and multilaterally.

FDI follows trade and economic relations between countries. Therefore, increasing inter-BRICS trade volumes can fuel FDI flows. Trade relations between Russia and China have grown in recent years. In 2010, the volume of trade accounted for nine per cent of Russia's total trade volume. There is thus much potential for increasing FDI flows between these two countries.

Similarly high potential for FDI flows exists with the other BRICS members. In 2010, imports from BRICS countries accounted for 10.5 per cent of total BRICS members' imports, and exports to BRICS countries for 7.8 per cent of total BRICS exports. According to national statistics, FDI inflows from BRICS countries made only 1.8 per cent of total FDI inflows to BRICS countries, and FDI outflows only 1.2 per cent of total FDI outflows. Evidently there is great capacity for boosting investment among the BRICS members.

Foreign investment can come in the form of public money from foreign governments, private funds or international institutions such as banks for development. All these can be used to create connections among BRICS members. For example, many large investment institutions recently initiated funds that invest in BRICS economies. HSBC offers an exchange-traded fund that tracks 40 of the largest Brazilian, Russian, Indian and Chinese companies; and Troika Dialog recently established a mutual fund that manages shares of BRIC companies. During the BRICS Inter-Bank Cooperation Mechanism Annual Meeting in April 2011, the China Development Bank granted accumulative loans of more than $38 billion to BRICS countries, involving infrastructure and energy resources, among other sectors. Such commitments can become a base for increasing the amount of investment between BRICS members.

A working group should be established to study existing and new projects in priority areas in each country, which could be developed as joint BRICS projects

Projects to boost cooperation

To boost inter-investment processes among BRICS countries, the group could start with a pilot project chosen by each member, with the participation of all the other countries. One member could be a major investor and supervisor, although all the others would have to have at least a small stake in each project. Such a project would allow BRICS members to acquire some experience of cooperation in this sphere and to deepen their understanding of the investment climate in the country where the project is based. This experience would then lead to further cooperation.

The projects for boosting inter-BRICS investment could be drawn from areas that are priorities for the five countries. These could include energy efficiency; higher education; pharmacology; information and communications technologies; transport, aviation and space technology; climate and the environment; and biotechnology.

A working group to identify pilot projects should be established to study existing and new projects in those priority areas in each country, which could be developed as joint BRICS projects, and to map the countries' fields of expertise. Although each BRICS member is at a different stage of development, it is possible to find common ground, as was

illustrated by the reference to developing biomass energy in the 2009 BRIC Joint Statement on Global Food Security. Demétrio Toledo, executive secretary of São Paulo's Observatório da Inovação e Competitividade, has suggested that the subject of biofuels can act as a common agenda for BRICS cooperation. Brazil is the world's second largest producer of biofuels, with a 45 per cent share of renewable energy in all energy sources.

To supervise and manage the implementation of these projects, a BRICS development bank should be established, which would be designed to upgrade the general level of economic development and technology-intensive industries. This should serve as a combination of an investment bank and research facility – and foundation – for defining priorities and issues for development. Such an institution should not duplicate existing development banks, such as the World Bank or regional development banks. It should provide support for projects that cannot be financed through other commercial, government or international institutions. The charter and operational rules of the BRICS development bank might be modelled on other development institutions, but the key difference should lie in its objectives and financed projects. These questions would also be discussed by the working group.

These joint pilot projects, and the establishment of the BRICS development bank, should lead to a surge in inter-BRICS FDI flows and strengthen the cooperation among the BRICS members. ■

Chinese companies rub shoulders with foreign firms in Shanghai. However, investment between BRICS partners is still negligible

Building a BRICS framework for science, technology and innovation

The BRICS countries have come a long way in terms of science and related fields, but there is still much that the group could do concerning multilateral cooperation to encourage innovation and address its members' common challenges

By Leonid Gokhberg, Tatiana Kuznetsova and Anna Zaytseva, National Research University Higher School of Economics, Russia

Brazil, Russia, India, China and South Africa are among the biggest, fastest-growing emerging markets. In the aftermath of the recent financial crisis in Europe and the accelerated reconfiguration of a new geography of growth, new players have emerged from countries that are not members of the Organisation for Economic Co-operation and Development (OECD).

Indeed, the BRICS countries have made substantial progress in science, technology, innovation and industrial performance. However, their growth strategies may not be sustainable unless they address common problems in moving to innovation-based development. These include lagging infrastructures and healthcare systems, and inequalities in access to education and income distribution. Furthermore, the emerging economies must adapt and coordinate their policy agenda. Policies are required to reflect changes in patterns of innovation, such as the growing importance of non-technological innovation, the pervasiveness of open innovation, and increasing multidisciplinarity and allied technology convergence.

Innovation-based growth is increasingly considered a response to economic, social and environmental pressures. Strengthening cooperation among the BRICS countries is, therefore, crucial.

BRICS summits since 2009 have formulated a policy framework for cooperation in science, technology and innovation, but it has been limited to meetings, conferences and publications. The announcement of priorities in 2011 was a step forward. It included joint activities in microelectronics, bio- and nanotechnologies, energy efficiency and renewable energy, food, sustainable agriculture and the use of natural resources. It emphasised the responsibility to make these technologies available to developing countries, integrate traditional knowledge and advanced technologies, increase the food productivity of smallholders and improve socioeconomic development conditions in rural areas.

Despite their overall positive evolution in science, technology and innovation, the BRICS countries still lag behind developed economies. Shared, common challenges include low levels of business engagement in innovation, inadequate commercialisation of research and development (R&D), weak links within national innovation systems, insufficient demand for innovation, sectoral imbalances, inefficient use of natural resources, socioeconomic cleavages and uneven involvement of populations.

These structural disproportions lead to an unsustainable model of BRICS integration into the global economy, as suggested by five indicators identified by the OECD and the Royal Society.

Areas of excellence should be identified. Solutions might draw on economies of scale for R&D-based solutions, and partnerships in environmental technology transfers

Broad scope for improvement

First, the BRICS members' considerable growth rates and ratios of corporate and government R&D funding to gross domestic product (GDP) are below OECD averages. As for industry-financed gross expenditure on R&D relative to GDP, only China can be compared to OECD countries.

Second, the impact of scientific publications and the extent of international scientific collaboration within BRICS is below average.

Third, although the BRICS contribution to the global scientific literature has been rising rapidly, the number of articles published in top-quartile journals remains below average. However, in terms of total publications, independent of quality, China holds the second position after the US.

Fourth, despite an increase in the number of triadic patent families (the same invention disclosed and patented by an inventor in Europe, the US and Japan), the BRICS share is almost 10 times smaller than that of the European Union, Japan and the US. However, the BRICS countries attract foreign patents: more than 40 per cent of OECD members' inventions are protected in China, and the percentage of patents with foreign co-inventors for every BRICS member is above average.

Fifth, the brain drain of qualified human resources remains a common problem. For instance, 70 per cent of Chinese people who studied abroad between 1978 and 2006 did not return to China.

Multilateral cooperation can provide the BRICS countries with opportunities to address the common failures of their national innovation systems – through using cumulative expertise and

Brazil's science minister, Aloizio Mercadante, and the president of Ford Brazil and South America, Marcos de Oliveira, applaud the launch of the company's first global model designed and developed entirely by its South American team. The BRICS framework should foster demand for innovation

resources, sharing best practices and coordinating their actions.

First, BRICS should ensure a strategic, coherent and operational framework for developing science, technology and innovation. It would include an action plan with objectives, implementation mechanisms, institutional arrangements and specific programmes. It would involve joint strategic intelligence exercises to map R&D needs and assess strengths and weaknesses. Complementarities should be a priority. The overall policies should encourage demand for innovation in all sectors, and stimulate new sectors and non-technological innovations. And the plan should foster innovation-based, inclusive growth. A common agenda should be integrated in BRICS countries' national and international strategies to address socioeconomic inequalities and environmental challenges.

Second, BRICS should encourage the exploitation of synergies. Policies aimed at building capacity in science, technology and innovation will contribute to a move up the global value chain. Areas of excellence should be identified. China, Russia and India are inclined towards engineering. Brazil and South Africa tend towards agriculture, biosciences and medicine. They are active in patenting in waste management, water pollution and renewable energy. Six of the world's 50 high-impact universities in pharmacology and toxicology are located in China, with one in Brazil. Human resources development in science and technology is uneven, as China and Russia are better positioned than other members. National technological specialisation also matters. China specialises in information and communication technologies (ICT) and bio- and nanotechnologies. Russia is also strong in bio- and nanotechnologies. Other features are China's global manufacturing capacity and India's leading supply of services. Efficient solutions might draw on economies of scale for R&D-based solutions and partnerships in environmental technology transfers.

Public-private partnerships

Third, stimulating R&D collaboration and commercialisation will require cost-sharing mechanisms for joint investment in basic and pre-competitive research, as well as funding schemes for joint programmes. Funding must be diversified, with increased corporate involvement and the creation of venture capital institutions. Technology transfer and the development of knowledge markets must be stimulated, removing barriers to trade and investment, promoting technology alliances and encouraging technology commercialisation and transfer. A framework for public-private partnerships should be established to exploit R&D results and technology transfer.

Fourth, infrastructure for collaboration would improve intellectual property rights to facilitate knowledge exchange and technology transfer, develop facilities for mutually beneficial R&D, and promote links between R&D, education and industry. It would ensure effective customs and tax policies on scientific materials and instruments, promote international networking among R&D institutions and universities, and ensure effective mechanisms for information exchange.

Fifth, a regulatory framework that fosters labour mobility is required, involving visa policies, scholarships, research and travel grants, internship programmes and academic exchanges.

Finally, evidence-based innovation policies should be supported, with joint data collection on indicators, international collaboration and BRICS macroeconomic performance. Regulation of science, technology and innovation should be performance-oriented, with results-based budgeting, established quantitative and qualitative programme indicators, regular monitoring and performance evaluation. ■

Generating global growth in BRICS and beyond

An interview with Shanker Ramamurthy, president, Global Growth Organisation; member, executive board, Thomson Reuters

What are the prospects for global growth in the coming year?

For what we call the global growth geographies, or rapidly developing economies, we see sustained continued growth over the next year – and beyond, given the momentum and traction right now. From a Thomson Reuters standpoint, we are focused on the BRICS countries and the growth economies. We are striving towards revenue growth at twice the underlying gross domestic product (GDP) in these markets. As I talk to many of our clients, in financial services and beyond, most are concentrating on the rapidly developing economies and investing more to help those economies grow and to take advantage of the opportunities in those markets.

In what ways has the private sector acquired a greater role in generating such growth, given the fiscal consolidation in which many governments of advanced economies are currently engaged?

If we look at some different examples, Brazil's government is looking to incentivise the private sector to help national growth. It has introduced tax exemptions for foreign investment in infrastructure and technology innovation. Long-term financing was traditionally supplied by the Brazilian Development Bank, which was the only player. However, to raise the kind of investment that is required for infrastructure to support the oil and gas sector, as well as forthcoming national events – approximately $3 trillion – the participation of the private sector is actively needed.

In India, the government is emphasising growth in private consumption. There is also a lot of investment demand driving sustained growth. Much of the private-sector investment still comes from external sources. In the second and third quarters of 2011, foreign direct investment (FDI) reached $28 billion, compared with about $18 billion a year earlier. India is also considering letting foreign direct investors participate in sectors such as aviation and, perhaps, the retail sector. From the standpoint of Thomson Reuters Trading India community, the market is dependent on foreign institutional investor inflows – close to $5 billion this calendar year to date – which is much greater than the level of investment from domestic institutional investors.

In China, private enterprises and individually owned businesses topped nine million as of September 2011, with close to 15 per cent year-on-year growth. A substantial amount of job creation in China – around 80 per cent of all the jobs in urban areas – is in the private sector. In many markets there is tremendous vitality and a focus on the role of the private sector in driving economic and employment growth.

Russia is an outlier right now among the BRICS countries, with president-elect Vladimir Putin probably believing in bulking up state corporations, particularly in the high technology, infrastructure and nuclear power sectors.

How important are the BRICS countries as global growth engines?

The BRICS countries are critical growth engines for the global economy. We have analysed the BRICS, some regional hubs and also the next seven or nine countries that are particularly important to growth. The BRICS members stand out significantly. From an individual market standpoint, Brazil is the largest exporter of sugar, coffee and meat, and second only to America in soybeans. It drives a huge demand for Thomson Reuters commodities and energy (C&E) services.

Shanghai is already the world's third largest stock exchange in terms of value of share trading, and is Asia's third largest bond market by value of bond trading. More governments and corporates are issuing renminbi-denominated bonds,

for their cash flow or to accommodate investor demand. While high-frequency trading (HFT) is still in its infancy in the BRICS countries, the recently announced alliance among all the five members (wherein they will cross-list flagship equity index products for each country and form new BRICS-based products) may well prove to be a catalyst for the BRICS members and other emerging economies to focus on developing HFT.

South Africa has an extremely well-developed financial services and tax and accounting sector. Its close ties to London and the rest of the Western markets, particularly in fixed income and other trading-asset classes, means it is a very promising new growth vector for companies such as Thomson Reuters.

All the BRICS countries are significant investors in research and development. We are seeing brisk growth for the intellectual property and scientific information that we provide. There is also much growth in the legal framework and on the tax and accounting front throughout the BRICS countries, particularly in China and India.

In the BRICS countries, what sectors are likely to be the greatest generators of global growth?

It depends on the economy, but countries such as Brazil are seeing C&E driving huge demand. In general, financial services in all the BRICS economies are growing rapidly. There is a move towards the knowledge economy of tomorrow and putting in place the infrastructure, both hard and soft – the regulatory structures, tax and accounting capability, legal framework, intellectual property and scientific knowledge that is required, plus investment in training the professionals in these markets and creating a community that leverages the advantages from participating in the global knowledge economy. In these areas we see tremendous investment opportunity and optimism as we look at the BRICS countries.

How important will emerging economies beyond the BRICS countries be as generators of global growth?

There is a lot of discussion about frontier markets. We think about it in terms of countries beyond BRICS, whether Mexico, Argentina, Turkey or many of the countries in the Asia-Pacific region such as Korea, Thailand and Malaysia. We also think in terms of regional hubs, so South Africa is a regional hub for sub-Saharan Africa, and the Gulf Cooperation Council (GCC) is a regional hub in the Middle East. Singapore is the gateway to many countries, not just within the Association of Southeast Asian Nations (ASEAN), but also to the greater China region. The same is true of Hong Kong, and Taiwan is a very vibrant economy.

All the BRICS countries are significant investors in research and development. We are seeing brisk growth for the intellectual property and scientific information that we provide

So this is a much broader phenomenon than just the BRICS countries. The BRICS members by scale and size are the large economies, but there are many other rapidly developing economies creating global growth. Mexico's size in trading volume is 25 per cent of Brazil's today, but its relative proximity to the United States magnifies its attractiveness for certain transactions, particularly in terms of Chicago's CME Group. Turkey's banking and financial services dominate the Istanbul Stock Exchange 100 Index, representing 10 per cent and 30 per cent of the total value of the index respectively. Islamic finance is also very interesting, given the innovation happening in the Middle East and Turkey, where Islamic finance represents 4.5 per cent of Turkey's banking industry. Turkey could become a leading force in connecting into the GCC and South East Asian markets, such as Malaysia.

The so-called Arab Spring is also bringing opportunities in much of the Middle East and North Africa – from Libya opening up to foreign investment, to potential prospects in Egypt and beyond. We also see many opportunities for Thomson Reuters Legal business in the region, as Saudi Arabia, Egypt and Lebanon put in place local legal frameworks. There is a lot of interest from governments in the Middle East and North Africa in developing infrastructure and tax structures. Thomson Reuters Tax & Accounting's government sector is actively involved in those markets.

How are global firms such as Thomson Reuters assisting the BRICS and other emerging economies to play their part in generating global growth?

I see two broad categories. First, at a macro level, in China we are working with several companies and the government as they position themselves on the internationalisation of the renminbi, which involves educating the market and providing news, prices and trading infrastructure connections into markets such as London and New York.

In India and Brazil, we are involved in developing the corporate bond markets that will fund their countries' infrastructure. We have recently automated primary-market auction and secondary-market bond trading in Kenya and Nigeria. We have close partnerships with governments in the Gulf to develop their indirect and property tax systems. We are working with many central banks in developing economies to help report trades and provide free foreign exchange feeds. We are providing a platform for governments to partner with private-sector entities and institutions in the advanced,

as well as emerging, economies to connect and collaborate. We recently hosted a Brazilian financial and capital markets delegation in London and have arranged for the Chinese government and financial institutions to visit our customers and partners in the United States and Europe. In general, we are offering many of the rapidly developing economies information, guidance and support for legal frameworks, tax and accounting systems, financial and risk-management needs, and intellectual property and scientific information needs.

Second, at product-specific level, these markets are growing at close to a double-digit pace in terms of revenue growth in our information and trading platforms across key asset classes. Thomson Reuters Elektron is seeing high demand for its real-time, hosting and managed services. We are opening points of presence in many emerging markets. We recently expanded into India to provide trading firms with low-latency access to data for algorithmic trading strategies.

Eikon, our premier flagship desktop product, provides information to financial market professionals and is being localised for specific markets in China and Brazil. Our legal, tax and accounting, and intellectual property and science divisions see tremendous opportunities in working with institutions and governments to support the build-out of national infrastructure and help with research-and-development projects.

The BRICS leaders can encourage economic growth led by the private sector, which means implementing policies for open and competitive markets

How can the BRICS leaders at their summit support the role of the private sector in generating global growth?

We fundamentally believe that private-sector-led growth and job creation are essential for reviving the global economy, continuing the economic recovery and, specifically, bringing about development that is strong, sustainable and inclusive of the BRICS economies. The BRICS leaders can, as long as they continue creating the right policy and framework environment, encourage economic growth led by the private sector, which means implementing policies for open and competitive markets, policies that encourage and help innovation and job creation. Such policies will be positive not just for BRICS economies, but for the rest of the globe.

The BRICS leaders need to continue to boost confidence in their markets. They need to attract FDI by reinforcing the rule of law and property rights and by having the right kind of budgetary and fiscal discipline. Of course, there is much to be done to simplify taxes and bureaucracy, particularly for small and medium-sized companies and entrepreneurs. They need to encourage financial institutions to increase support for those kinds of enterprises. Also, private-sector firms must be allowed to participate and compete in what has historically been the domain of public-sector monopolies. The BRICS countries are moving down the right path, but there is still work to be done. ■

Interview by John Kirton, co-director, BRICS Research Group

Private-sector-led growth and job creation are essential for reviving the global economy

BRICS RESEARCH GROUP

The BRICS Research Group

The concept of the "BRICS" was first created by Jim O'Neill to refer to the investment opportunities in the emerging economies. Today, the meetings of the leaders of Brazil, Russia, India, China, and now South Africa, which started in 2008, transcend that economic context to embrace a broad range of high-level issues requiring global governance, such as trade and investment, health, food and agriculture, development, energy, environment, climate change, social progress, peace, security and international institutional reform.

Led by Marina Larionova of Russia's National Research University Higher School of Economics and John Kirton of Canada's University of Toronto, the BRICS Research Group aims to serve as a leading independent source of information and analysis on the BRICS institutions and underlying interactions. Documentation from the BRICS and relevant research and reports are published on the BRICS Information Centre website at **<www.brics.utoronto.ca>** and the International Organisations Research Institute at **<www.hse.ru/en/org/hse/iori/bric>**. Together with international partners from the BRICS countries, the BRICS Research Group focuses on the work of the BRICS and diplomacy within the group as a plurilateral international institution operating at the summit level. Particular attention is paid to the relationship and reciprocal influence of the BRICS with other leading global governance institutions such as the G8, the G20 and those of the United Nations galaxy. The BRICS Research Group also conducts analyses of the compliance of the BRICS members with their summit commitments.

The BRICS Research Group is proud to be working on its first official summit publication with guest editor Dr. Yoginder K. Alagh, chair of the Institute of Rural Management Anand and vice-chair of the Sardar Patel Institute of Economics and Social Research and a former minister of Power, Planning, Science and Technology in the Government of India.

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Leveraging the response to AIDS to advance health and development

BRICS countries have made massive progress in their AIDS response, both domestically and globally. Member countries now need to further promote international health and development by using their potential for collective leadership

By Michel Sidibé, executive director, Joint United Nations Programme on HIV/AIDS (UNAIDS)

As the international community increasingly looks to the BRICS countries as essential partners to contribute to economic growth and global financial stability, the global AIDS response demonstrates the unprecedented opportunity for the bloc also to contribute to the governance of international health and development.

Since 2009, the BRICS countries have increased their influence on the global health and development agenda. At the 2011 summit, the leaders promised to aim at "contributing significantly to the development of humanity and establishing a more equitable and fair world". Following that meeting, BRICS health ministers committed to "promote BRICS as a forum of coordination, cooperation and consultation on relevant matters related to global public health". And at the Fourth Summit on Aid Effectiveness, the BRICS countries played a key role in ensuring that the Busan Partnership for Effective Development Cooperation gave prominence to South-South cooperation.

The BRICS countries' influence is highlighted by the progress made in their responses to their national AIDS epidemics, which are the largest in their respective regions. Brazil was among the first to provide free universal access to HIV treatment – saving billions of dollars in hospital costs since 1996. Its model HIV prevention programmes keep the epidemic under control. India, which has the third largest number of people living with HIV in the world, has averted more than three million HIV infections, reducing new infections by more than 50 per cent.

In China, AIDS-related mortality has dropped by more than 60 per cent, and the government has said it will fill the funding gap left by the withdrawal of the Global Fund to Fight AIDS, Tuberculosis and Malaria. In the past five years, Russia has increased access to free HIV treatment and mobilised more than $1.3 billion for its AIDS response.

South Africa contributes more than $1.5 billion per year in domestic resources for its AIDS response. Its new national AIDS plan aims to reduce new HIV infections by 50 per cent and scale up HIV treatment to at least 80 per cent of people in need. By increasing domestic funding, BRICS members have shown their commitment to end dependence on international aid and their readiness to share responsibility for the AIDS response.

The BRICS countries are also strengthening the AIDS response globally.

The Indian pharmaceutical industry now produces more than 85 per cent of first-line antiretroviral drugs used to treat HIV in low- and middle-income countries

With India's strong capacity for research and development and its manufacturing base, the country's generic drug industry has enabled a dramatic reduction in the cost of HIV treatment – from more than $10,000 per patient per year in 2000 to less than $100 per patient per year in 2011. The Indian pharmaceutical industry now produces more than 85 per cent of the first-line antiretroviral drugs used to treat at least 6.6 million people living with HIV in low- and middle-income countries. Brazil is now leveraging its expertise in generic drug production to help establish Africa's first public-sector factory for antiretroviral production in Mozambique.

South-South cooperation

The BRICS countries are using their political influence to advance their development agenda and promote South-South cooperation. Within the Southern African Development Community and the New Partnership for Africa's Development, South Africa is exercising leadership to promote integrated regional and continental solutions for good governance, transparency and accountability for improved health and development.

India's commerce minister has promised to reject data exclusivity clauses in any free trade agreements that limit India's ability to provide generic medicines to Africa. Working with the African Development Bank, Brazil is implementing innovative approaches to development and capacity building through the establishment of a South-South trust fund. In 2009, China disbursed more than $3.1 billion in development assistance – with $1.4 billion going to 48 countries in Africa. In 2011, Russia hosted the first International MDG 6 Forum in Eastern Europe and Central Asia, convening political and financial leaders to launch a new action plan in the region to reach the sixth Millennium Development Goal – to halt and reverse the spread of HIV, tuberculosis and malaria by 2015.

Despite this impressive record, the BRICS countries have not used their full potential

A blood test at Gugulethu clinic, Cape Town, South Africa. The country's new national AIDS plan aims to scale up HIV treatment to at least 80 per cent of people in need

for collective leadership to promote international health and development by advancing the global AIDS response. For the first time, donor funding for the AIDS response has decreased, falling 13 per cent from 2009 to 2010. The BRICS members are in a position to encourage governance solutions for advancing equitable access to public health goods in their own countries and across the world. At this summit, the BRICS countries should mobilise their collective influence and commit to four action-oriented outcomes.

First, the BRICS members should create a common platform for South-South technology transfer, with a focus on Africa. The BRICS members should maximise their research and manufacturing infrastructure to improve scientific cooperation and technology transfer with other developing countries. At the 2011 United Nations High-Level Meeting on AIDS, the international community committed to put 15 million people on HIV treatment by 2015. The leadership of the BRICS countries is essential to make this goal a reality.

Second, the BRICS countries can advance the global effort to eliminate new HIV infections among children by 2015. Of the 390,000 new HIV infections among children every year, almost one-quarter occurs in BRICS countries. These countries have already made significant progress towards this goal, and the scientific and programmatic tools now exist to ensure this number is reduced to zero – among the BRICS members and around the world.

Third, low- and middle-income countries need additional resources for health and development. Since the previous BRICS summit, a financial transaction tax has been debated, and its potential to generate catalytic funds for health and development is undeniable. However, political differences in Europe and North America make it unlikely that such a tax will be adopted globally. The BRICS members could lead the way by implementing a financial transaction tax in those five countries. The revenues could be dedicated for health and development programmes in other developing countries, and usher in a new paradigm for South-South cooperation led by BRICS.

Improving access to generics

Fourth, the BRICS countries can encourage flexibility on trade-related aspects of intellectual property (TRIPS) to improve access to affordable medicines, including generic essential drugs for AIDS and other illnesses. Following India's initiative in 2011, the BRICS can adopt a strong common position to reject efforts to include data exclusivity clauses and other 'TRIPS-plus' measures in bilateral and regional trade agreements that deter generic manufacturing, and build the capacity of other countries to do the same.

With these commitments, the BRICS countries can help to set an equitable and sustainable health and development agenda and to build innovative partnerships based on shared, but differentiated, responsibility and global solidarity – steps that will have enduring value in the fairer world they seek to promote. ■

The role of BRICS countries in food and agriculture development

As the economic development of the five BRICS countries has surged ahead, the importance of agriculture to sustainable growth is a key consideration, and one in which the member countries are keen to share their efforts for the benefit of all

By Prabeer Kumar Basu, secretary, Department of Agriculture and Cooperation, Government of India

Brazil, Russia, India, China and South Africa are emerging as a major economic and political force in the global arena. With 42 per cent of the world's population and rapidly improving living standards, BRICS constitutes the biggest market in the world.

The BRICS share of global gross domestic product (GDP) will rise from about 18 per cent in 2010 to 21.6 per cent in 2015. The five countries will account for 20 per cent of global exports and imports by 2015, making them major players. The BRICS countries are expected to account for almost half of the world's output by 2030. Registering very high economic growth rates in recent years, even under severe global recession, BRICS members will be the engines of global economic growth leading world economic recovery.

Agriculture plays a critical role in food security and in the economic development of BRICS countries, more so in India and China as the two most populous countries in the world. In India, 60.5 per cent of the land area is used for agriculture; in China it is 56.2 per cent. It is as high as 82 per cent in South Africa. Brazil, with 31 per cent, and Russia, with 13.2 per cent, have more diversified economies. Agriculture is thus a strategic sector in the BRICS, with implications for food security, poverty reduction and social stability. One per cent growth in agriculture is at least two to three times more effective in reducing poverty than the same magnitude of growth from non-agriculture sectors.

Any improvement in agricultural production, productivity and resource-use efficiency in these countries is likely to contribute significantly to global food security and achievement of the Millennium Development Goals (MDGs).

Challenges for agriculture

Some key challenges in agriculture are climate change and the related uncertainties in production, as well as severe stress on natural resources, particularly on water.

Other challenges are improving the efficiency of markets, promoting smallholder viability, coping with price volatility, meeting the food security needs of vulnerable groups and meeting the diverse needs of changing diets. Rising input costs and diverted agricultural land also pose problems for sustained agricultural production.

As a group, the BRICS are gearing up to refine and reinforce their policies for addressing these issues through mutual cooperation and support.

Realising the importance of agriculture for BRICS and for global food security, in March 2010 the Moscow Declaration of BRIC Ministers of Agriculture and Agrarian Development emphasised quadrilateral cooperation. The following four priority areas were identified:

- the creation of an agricultural information base system in BRICS;
- the development of a strategy to ensure access to food for the most vulnerable;
- the reduction of the negative impacts of climate change on food security and adaptation of agriculture to climatic changes; and
- the enhancement of agricultural technology cooperation and innovation.

The second agriculture ministers' meeting on 30 October 2011 adopted the 'Action Plan 2012-16 for Agricultural Cooperation of BRICS Countries'.

It contained five major themes, each coordinated by different members: China on creating an agricultural information base system, Brazil on developing the strategy for ensuring access to food for the most vulnerable populations, South Africa on reducing the negative impacts of climate change and adaptation of agriculture to climate change, India on enhancing agricultural technology cooperation and innovation, and Russia on promoting trade and investment.

Turning agreement into action

India is keen to ensure that the consensus reached by BRICS members is strengthened and translated into action. India will focus on ensuring sincere implementation of the Action Plan. Mutual capacity-building and cooperation thus will be the priority of the agriculture ministers when they meet in New Delhi on the eve of the summit.

Despite the diversity among BRICS countries and the varied character of their agricultural sectors, there are large complementary areas among these countries that can be exploited for mutual

One per cent growth in agriculture is at least two to three times more effective in reducing poverty than the same magnitude of growth from non-agriculture sectors

Investment in machinery in the BRICS countries is transforming the face of modern agriculture

benefit and the promotion of global food security, sustainable agricultural development, poverty eradication and achievement of the MDGs. India will promote cooperation among BRICS members in using these complementarities.

The BRICS countries have goals in common with the global community. They are active in various international and multilateral forums, including the United Nations, the G20, the Food and Agriculture Organization, the World Food Programme, the Consultative Group on International Agricultural Research and the World Trade Organization. Their efforts to promote agriculture, food security and the achievement of the MDGs will be intensified and strengthened through their participation in these forums.

India will also use its goodwill and advocacy capacity, along with its BRICS partners, to further a successful, comprehensive and balanced conclusion of the Doha Development Agenda, building on the progress already made and consistent with its development mandate.

It will continue to expand and deepen trade and cooperation among BRICS members within the existing multilateral framework. India will also mobilise the support of BRICS members in assisting African countries to tackle agricultural development and food security problems based on their own experience. Finally, the New Delhi meeting will need to promote cooperation, building on 'Broad Vision, Shared Prosperity'.

Agricultural initiatives

India's government has already moved to increase food production and ensure food security, particularly for the vulnerable populations. Under the National Food Security Mission, several initiatives have been taken to increase the availability of cereals and pulses. The National Horticultural Mission is addressing the production and availability of horticulture items in line with rising demand.

Similar initiatives are under way in the animal husbandry, dairy and fisheries sectors. The government has also taken steps to assist smallholder agriculture through remunerative prices to farmers, input subsidies to help small farmers adopt modern practices, market reforms to ensure remunerative prices and insurance to cover the risk of crop failure due to unforeseen circumstances, such as adverse weather.

Under the National Action Plan for Climate Change, mitigation and adaptation strategies are developed and implemented. India has also implemented several safety-net programmes for ensuring food security for vulnerable people through the public distribution of food grains, and promotion of employment and opportunities for making a living.

The Mahatma Gandhi National Rural Employment Guarantee Act and the National Livelihood Mission are noteworthy in this regard. The government is also proposing comprehensive legislation on food security covering all the vulnerable population. India's experience will be shared with its BRICS partners. It will, in turn, be enriched by their experience under the BRICS cooperation framework. ■

Contributing to development through trade and investment

Recent infrastructure projects, such as the Delhi Metro in India, are making it easier to do business in developing economies

Addressing domestic challenges successfully will be essential if the five BRICS countries are to remain on the path to greater national prosperity, as well as continuing to take an influential role in the global economic recovery

By Peter Draper and Elizabeth Sidiropoulos,
South African Institute of International Affairs

While politically and economically diverse, the BRICS countries all face significant domestic socioeconomic challenges. Tackling their own development challenges and the related political stability is crucial if their role in spurring growth in the global economy is to be sustained. So what are these challenges?

Brazil seems set on a path to sustainable development. Its high levels of income inequality have been substantially reduced, in part owing to the growth of its middle classes and success of poverty alleviation programmes, notably the cash transfer scheme. Its resource exports, such as processed agricultural goods and some advanced manufactures, have done well. But the country faces medium- and long-term challenges, notably its ageing population and associated financing of welfare, and education quality problems.

South Africa has been less successful in resource exports, owing largely to domestic regulatory challenges and uncertainty over increased resource nationalism in the governing party. Domestic economic growth remains moderate and far short of the levels required to reduce the chronically high unemployment rate. High levels of inequality have not declined since 1994, notwithstanding the implementation of a substantial state welfare system, and the tax base remains small. State capacities are weak, so although the government plans to spend heavily on much-needed infrastructure, there is doubt over whether this will generate rapid economic growth.

Back on course

Russia's revival has resumed since the global financial crisis. However, its economic base and export structure are dominated by oil and gas exports. Resource nationalism remains an enduring feature of Russia's economic revival, which causes concern among foreign investors. Like Brazil, it faces demographic challenges in the medium term that are likely to dominate policy debates. This makes economic diversification all the more critical.

India faces escalating domestic challenges, not least owing to widespread

corruption and associated institutional challenges. These reinforce India's primary economic problem of infrastructure bottlenecks, which are difficult to address in its almost gridlocked political system. Massive challenges associated with rural poverty and strong labour regulations that inhibit manufacturing act as brakes on economic growth and diversification. Failure to reform key sectors, such as retail, compounds these problems.

Not surprisingly, inflation is gathering steam in India. Since this will have a disproportionate impact on the poor, the prognosis is for increased social challenges, which the government is trying to address through social welfare programmes. However, the same institutional challenges that inhibit infrastructure roll-out also constrain the success of these programmes.

Forging its own path

China is the most dynamic economy among the BRICS. Yet despite spectacular poverty reduction, the country still faces huge challenges in bringing development to its vast hinterland and maintaining central authority in the face of centripetal forces from the richer coastal provinces. China's leadership, therefore, actively promotes its own brand of state capitalism, centralising control over state-owned enterprises and using them to secure resources abroad.

So what trade and investment agenda can BRICS countries pursue in common? Brazil's primary objective remains to open developed country markets for processed agricultural exports through the World Trade Organization (WTO) – an objective in question given the failure of the Doha Round. Brazil's large domestic market and reasonable economic growth remain attractive to domestic and international investors. Regional integration remains challenging, with neighbour Argentina pursuing an increasingly mercantilist course.

South Africa is pursuing a 'state capitalist' development path with South African characteristics. It remains open to trade and investment, but the fallout from government intervention in Walmart's entry into the domestic market and related moves to tighten controls over foreign investment mean South Africa is increasingly regarded as a risky investment. On trade strategy, the government is emphasising regional integration. While this has a role in promoting exports of value-added goods, the key issue remains anaemic growth in Europe, South Africa's main trading partner.

Russia's recent entry into the WTO is a positive move that will promote investment into and trade with the country by reducing risks of policy changes or reversals due to Russia's brand of state capitalism. However, its WTO objectives remain unclear, since its economy is relatively undiversified.

India, Brazil and South Africa have shown that, despite diverging interests, they can collaborate on a common agenda

Indian democracy remains healthy and capable of pursuing further market reforms in areas such as trade liberalisation. But the political economy as a whole renders substantial market openings on either trade or investment unlikely. The preferential trade agreement between the European Union and India will encompass more than just trade in goods, but progress has been predictably slow. A major liberalising agreement is unlikely, primarily because of agricultural sensitivities on both sides.

China's dynamism is driven by its central role in global value chains. But major trade frictions are building with the country's key trading partners, owing to the renminbi's peg to the US dollar, widely viewed as giving an unfair advantage to Chinese exporters. These tensions are also evident within the BRICS countries, however much the leaders may wish to deny it. Brazil, in particular, has criticised the Chinese leadership publicly.

Nonetheless, the 'China cost' is rising inexorably, prompted by growing shortages of skilled labour in the coastal areas, increasing minimum wages, rising land and energy costs, and infrastructure bottlenecks linking the coastal regions to the labour supply in the interior. Consequently, the Chinese leadership, itself undergoing a transition, is promoting a historic shift in China's economic model from being export-led to consumption-led. If successful, it will have major implications for China's trade and investment relations, and for global trade and investment patterns.

Benefits of greater cooperation

Despite these divergent paths, the following elements of a trade and investment agenda could be considered, using the BRICS forum to define and advance it: first, at the WTO, India, Brazil and South Africa have shown that, despite diverging agricultural interests, they can collaborate on a common agenda. This was achieved through the so-called G20 developing countries established at the early stages of the Doha Round. A broader discussion, now including Russia and China, should focus on providing emerging-market leadership to resuscitate the round. The future of the WTO should be a core interest to all BRICS countries.

Second, China's 12th Five-Year Plan should be explicitly engaged. Since China is embarking on a transformation that will encompass currency reform, through internationalising the renminbi, the plan's implications and its effects on China's BRICS partners should be on the table. Those four countries have a strong interest in how this strategy plays out, since each is keen to develop domestic manufacturing industries that are currently undercut by the association of the 'China price' with the renminbi's peg to the US dollar.

Third, given that this issue is also high on the G20 leaders' agenda, an impasse at G20 level could be addressed by a common BRICS position, the associated unwinding of global economic imbalances and the revival of global trade talks. ■

How convergence on nutrition and health benefits mothers and children

Developing countries can often experience the coinciding problems of overweight and undernutrition among children. These concerns are best tackled via a converged approach, using multidisciplinary systems to boost nutrition and health

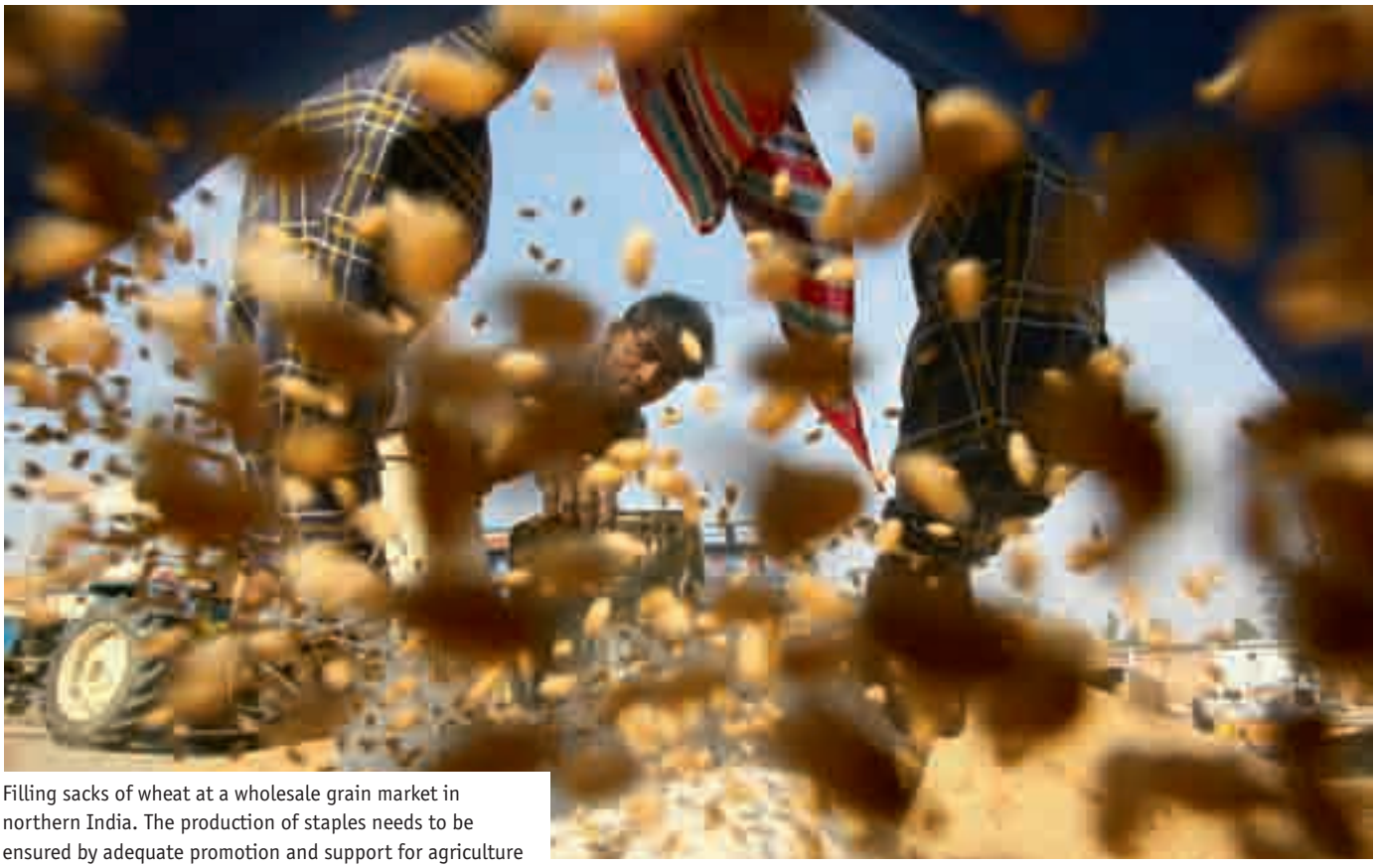
By Manoja K Das, Kiranmala Devi and Narendra K Arora, the INCLEN (International Clinical Epidemiology Network) Trust International

More than one-third of children under five in the world are underweight. Many have physical and mental disability as a result of poor nutrition in the earliest months of life. The nutritional status of newborns and children is greatly influenced by maternal nutrition and health. Maternal nutrition affects the fetal outcome as well as the woman's chances of surviving her pregnancy. Infants born with compromised or deprived intrauterine growth may continue to show the effects later in life. In Indian children, a complex scenario of persisting undernutrition and emerging overweight within the same environment is a great public health concern.

In developing countries such as the BRICS, the coexistence of undernutrition, stunting and overweight in children requires special attention. Effective change requires a converged approach, using multidisciplinary systems to address nutrition and health, as many stakeholders lie outside these two disciplines.

Childcare support

However, there are challenges. The first is mothers whose time for childcare is constrained. As more women participate in the workforce, mothers are forced to depend on support at the household level for childcare. Families in poor households, who cannot hire domestic help, must rely on processed and ready-to-eat foods. The wide availability of these products further supports this trend. Inadequate household support means young children



Filling sacks of wheat at a wholesale grain market in northern India. The production of staples needs to be ensured by adequate promotion and support for agriculture

are cared for by their elder siblings. To assist mothers in caring for their children, support and facilities linked to employment programmes and workplaces are needed.

The second challenge is changing patterns in agriculture, food production and supply chains. Recent changes in the demand for cash crops is progressively replacing, or competing with, cereal and grain production. Larger retailers prefer to work with large-scale producers or their own producers. Small-scale farmers find it difficult to compete with the cash-rich retail systems, amid changing consumer preferences. Yet agriculture is fundamental to achieving nutrition goals and sustainability. Adequate promotion and support are needed to ensure the production of staple foods in low- and middle-income countries.

The third challenge is the penetration of the processed food market. Insufficient time, the development of new, economical food products that are tasty and attractive, and increasing purchase capacity have fuelled the processed and packaged food market. Such products are available at the remotest places at affordable prices, and are increasingly accepted by families. Frequently, these products replace children's main meals. But their poor nutrient composition does not meet nutrition requirements.

The market and choice-making are further complicated by lack of standardisation and spurious local brands. To enable consumers to choose the right product, consumer empowerment, especially of mothers and women, is important. The BRICS countries are considered a mass market for multinational corporations, which push their products and taking advantage of poor regulatory and monitoring frameworks.

The fourth challenge is governance and intersectoral coordination. India has several programmes targeted at food security for the poor and for child and adolescent nutrition. But their penetration is limited by poor governance and inadequate implementation. Efforts at self-employment programmes and conditional cash transfers for addressing health and nutrition have been tried. But there are several gaps and inefficiencies in social protection programmes. A food security bill is still under parliamentary debate because of its possible economic burden. To meet its requirements, India will need 61 million tons of grain annually to feed people eligible for assistance under the programme. This poses a great challenge.

Shared growth depends on learning from each others' experience in nutrition, agriculture and health – with a special focus on maternal, newborn and child health

The worries of political leaders would be reduced if there were to be a huge improvement in agricultural production. Food safety at the farm or food plant requires proper maintenance and cleaning of the establishment and its equipment, potable water management and supply, proper liquid and solid waste management, and appropriate environment and utilities management. In addition, regular monitoring is required for food packaging, storage and distribution; sources of dirt or contamination and decontamination methods; cleaning and sanitising agents, procedures and programmes; and pest control systems.

Targeted nutrition

The nutrition programme must be targeted at those who are in need. Nutrition interventions and services must be monitored and evaluated regularly to assess progress and allow for modification or improvement as needed.

India has a huge network of food distribution, with fair-price shops and a public distribution system. This network can contribute by translating macro-level self-sufficiency to the micro level, ensuring food grain is available to poor households. Additionally, a strong, effective regulatory framework is needed to ensure quality products are available for consumers.

The fifth challenge is private and social-sector participants. With economic liberalisation and expanding markets, the role of the private sector has become more relevant for emerging economies. The private sector contributes significantly to food, nutrition and health. With open markets and increasing foreign direct investment, the role of multinational food chains becomes more critical. Additionally, social- and civil society-sector participation can facilitate the effective implementation of programmes and policies.

The sixth challenge is knowledge exchange and technology sharing. Shared growth among the BRICS members depends on learning from each others' experience in advances in nutrition, agriculture and health – with a special focus on maternal, newborn and child health. An enabling platform for mutual learning from successes and failures offers opportunities for innovation and global growth.

The final challenge is the convergence of health, agriculture and economy. For effective implementation of programmes and policies to ensure adequate agriculture, nutrition and health security, convergence among sectors and stakeholders is needed. At the government level, all departments need intersectoral coordination at different levels of policy and programme development and implementation at the national and state levels – a whole-of-government approach. In the rapidly changing economic and social context, public- and private-sector stakeholders, along with civil-society involvement, will be key to the successful translation of policies and programmes at the grassroots level – a whole-of-society approach. ■

The BRICS contribution to the fight against disease

Although the five countries face formidable challenges, they are taking concrete and effective steps to improve the health of their people, as well as contributing to the global agenda

By Siphamandla Zondi, University of South Africa and Institute for Global Dialogue

According to the World Health Organization's statistics, Brazil, Russia, India, China and South Africa — which account for around 43 per cent of the world's population — confront a health conundrum. Despite significant improvements in their provision of healthcare, they still face a precarious situation characterised by a high prevalence of communicable diseases at a time when the incidence of non-communicable diseases has also risen astronomically.

These emerging global powers are at risk of not meeting the health-related Millennium Development Goals (MDGs) by the deadline of 2015. This may undermine their stature as responsible global citizens whose immense global power bestows on them the responsibility to lead global reforms towards a healthier, just and more equitable world.

The key challenge that the BRICS countries face is how to improve their health status, especially the high incidence of communicable disease and lifestyle illnesses, while simultaneously cooperating to enhance global responses to the world's stubbornly high health burden.

Tackling communicable diseases

There are opportunities for the BRICS health forum, if it is institutionalised as planned, to enhance collective efforts towards overcoming the burden of communicable diseases.

The BRICS members are joined by their wish to contribute significantly to shaping the nature and character of a world that is to emerge after the current tectonic shifts in global power. By taking a keen interest in the anticipated new world order, they also are expected to take on a greater responsibility for championing public goods globally, including education, health and the eradication of poverty. This is a tall order for countries facing huge development challenges of their own.

Another factor binding them together is the search for ways to improve cooperation in order to overcome development deficits internally and among developing countries.

> The conundrum is that the five are assuming greater responsibility for a healthier world, even while they face major health challenges of their own

The BRICS countries represent a combined nominal gross domestic product of $13.6 trillion, have about $4 trillion in foreign reserves and have generally strong health programmes. They have also improved primary healthcare, as well as secondary and tertiary health systems, in response to the rise of non-communicable illnesses such as cardiovascular diseases and diabetes.

Public spending on healthcare in each BRICS country has increased remarkably over the past decade, although on average it remains lower than in the western hemisphere. Much has been done to implement their commitment to disease control, epidemiological surveillance and health promotion, a joint commitment that can be linked to their participation in a scaled-up G8 response to global epidemics from the early 2000s.

But their health burdens remain high. Non-communicable illnesses are on the rise, adding to the already heavy burden of communicable diseases. For instance, in India every year there are more than 1.8 million new cases of tuberculosis and 1.5 million new malaria cases, while more than one million people live with HIV.

Despite its superior primary healthcare system, Brazil is troubled by a high incidence of HIV/AIDS, and tuberculosis remains a major challenge. China's burden of disease includes a stubborn incidence of HIV/AIDS and tuberculosis. Russia ranks 11th among 22 high-burden tuberculosis countries, and HIV/AIDS is on the rise.

South Africa battles a high prevalence of HIV/AIDS, with 11 per cent of its population infected, while tuberculosis is the leading cause of death, even if the effects of malaria and measles remain low.

A collective responsibility

The following are key to overcoming the BRICS health burden: improved overall quality of life; stronger health systems, including primary healthcare; increased access to affordable medicines, especially for the poor; improved technological innovation; and stronger health promotion.

Because of the BRICS share of world health challenges, its recent efforts have the capacity to contribute to reducing the growing global health burden. The BRICS countries should be aware of their great responsibility for public goods that comes with their increased projection of power.

As a result, the BRICS health ministers have prioritised universal access to affordable medicines through the increased self-production of drugs, which will help them increase their health sovereignty and

Health programmes, including HIV testing, are having positive effects across the BRICS countries

improve their ability to enhance global health. They will also improve technological innovation and the development of vaccines, and thus increase their share of the lucrative global health industry. They have also agreed that their premier health research centres will cooperate in the introduction of innovations in their healthcare systems.

Global influence on health

The BRICS countries are also taking concrete steps to establish health insurance schemes in a coordinated fashion. Importantly, they have decided to do better in global agenda-setting and decision-making in international organisations that deal with health issues, thus improving their global health diplomacy, hopefully without generating tensions with other global powers.

The BRICS conundrum is that these five countries are assuming greater responsibility for a healthier world, even while they still have major health challenges of their own.

They risk raising expectations that they may not be able to meet these challenges, and thus may harm their perceived ability to lead the creation of a healthier and more equitable world order.

Brazil, Russia, India, China and South Africa must transform the BRICS health forum into a formal structure on the basis of shared health sovereignty that can follow through and implement decisions taken expeditiously, especially with regard to building the drug companies they envisage. The idea that their permanent representatives in Geneva are responsible for the implementation of their agenda falls short of this.

They need to formalise concrete cooperation among their research and technology facilities and give concrete support to the establishment of somewhat linked inclusive health insurance systems.

They also need to improve their contribution to other international efforts to fight disease by pushing collectively for better funding, better use of technology, a stronger focus on primary health and improved multilateral cooperation on healthcare. Moreover, their cooperation has to extend beyond state-to-state levels and provide space for both civil society and the private sector. ■

Meeting the challenges of African food security

The trend towards trading food on the world markets has its risks for ordinary Africans

Can BRICS prove instrumental in solving Africa's food and nutrition crisis, or will the continent's difficulties continue?

By Jay Naidoo, Global Alliance for Improved Nutrition

The BRICS New Delhi Summit offers a real opportunity to put food and nutrition security in Africa on the global agenda. The challenge is to reverse decades of investment neglect, with the multilateral international community diverting resources to other sectors and a serious decline in agricultural productivity.

Today, the BRICS countries and global investors see Africa as one of the few areas in the world where major increases in agricultural yields are possible. With 80 per cent of Africa's arable land uncultivated and nearly two-thirds of African countries being net importers of food, this huge opportunity has not gone unnoticed.

Africa is attracting significant foreign investment. China, India and Brazil, among others, have increased investment in the region. This investment into Africa's food production can be a key driver for the continent's economic growth.

But there are also risks. Care must be taken that investment does not only target food production for export to world markets. Greater transparency and disclosure must ensure that the rights to livelihoods of Africa's small-scale farmers are protected and that the transfer of skills and technology and benefits of advances in seed varieties and improvements in agricultural productivity are shared. At best, export markets are challenging for African farmers, who must deal with limited access to markets, sanitary and phytosanitary compliance, and other regulatory restrictions that often protect domestic markets. The extent to which export-oriented agriculture can help Africa achieve domestic food security is debatable.

China, the world's largest consumer of food, sees Africa as the potential supplier of its rising need for agricultural products and commodities. China's demand is a good opportunity for African farmers, but herein lies the risk: while Africa could become the world's breadbasket, it could end up not addressing its own food security. An increase in food exports does not easily translate into eliminating hunger and malnutrition in Africa. In fact, domestic food security may become more volatile.

As more food products are traded on world markets, food security has become increasingly dependent on a country's ability to pay the market price in world markets. And poor people are those who are the most vulnerable to rising prices

and shortages in food supply, and any consequent social instability.

The devil is in the detail as to whether increased exports will reinforce the three pillars of food security – availability, access and adequacy. China, Brazil and India are also interested in investing in Africa's biofuel production, which could result in fuel production being substituted for food production, leaving Africa unable to feed its people adequately.

The pillars of food security

First, food security must first be linked to the availability of food of sufficient quantity and quality. Second, it must address access and demand – a factor influenced by affordability, the quality of physical infrastructure, and consumer preferences and global food markets because international trade rules and futures markets drive food speculation and price volatility.

The third factor, adequacy, is often ignored. Consequently, the food system focuses increasingly on foods lacking sufficient essential nutrients for human beings to function at optimal, or even satisfactory, levels. So while the belly may be full, the nutrients necessary to ensure growth, cognitive development, and other physiological and life functions are missing or in short supply.

Nowhere do the uneven pillars of food security create more instability than in Africa. Increasingly, with external climatic shocks as those in the Horn of Africa and in Niger and surrounding countries, food insecurity drives a huge migration to cities.

Of the world's one billion hungry people, 250 million live in Africa. One child in three is stunted or malnourished. As Africa's population rises to 2.5 billion by 2050, more than half will live in cities and the vast majority will be under the age of 25. In the slums and informal shanty towns, acute malnutrition will affect almost half of the children. Household food security is dire.

That is the time bomb of social instability that represents today's greatest human development challenge.

In the absence of nutritious foods, the physical, cognitive and economic development of Africans is suffering irreversible damage. Children are unable to grow. Their ability to think is compromised when food is not available – or when it is both available and accessible, but inadequate. As a result, the immune systems of such children cannot withstand infection. The ability of children to reason and concentrate, and therefore to learn, is severely impeded. And as these children develop into malnourished adults, they lack the height, strength and logic required to perform at work, leading to yet another cycle of economic insecurity. Malnourished girls produce undernourished infants, and yet another round of poverty and intergenerational decline will be built upon inadequate nutrition.

> Africa's farmers, forests and fishers have the capacity to provide nutritious food for all and to generate decent incomes

To reach the Millennium Development Goals, food and nutrition security must be at the foundation of sustainable development. This was recognised in the 1948 Universal Declaration of Human Rights. UNICEF has identified foods that are sufficient, safe, nutritious and culturally acceptable as basic human needs. However, more than 60 years after the declaration, much work needs to be done.

Brazil's Zero Hunger campaign, linked to its anti-poverty Bolsa Familia and progressive public policies, has lifted tens of millions of Brazilians out of absolute poverty. India's parliament is considering a food security bill that recognises women as the household head in respect to the legal right to quality foods, and emphasises maternal and child nutrition, especially in the first 1,000 days. A critical BRICS contribution would target assistance to African countries to help develop national food security strategies that integrate improving agricultural yields with improving nutrition and human productivity and public health outcomes.

Reaping the rewards of investment

It is time to rethink how to grow, share and consume food. Africa's farmers, forests and fishers have the capacity to provide nutritious food for all and to generate decent incomes, while supporting people-centred rural development and protecting the environment. Africa could well become a breadbasket for the world – including its own people.

Helen Lei Sun of the South African Institute of International Affairs has said more research is needed into the extent to which investment serves both the donor and the recipient — and to which China's increased investment has improved livelihoods and reduced poverty in Africa.

This is absolutely correct. China's success in lifting millions of people out of absolute poverty and promoting markets that stimulate agricultural productivity for small-scale farmers and livelihoods for those in rural areas is a fascinating case study.

The risks are real. Africa must work to ensure it can reap the full benefits of global investment into its agriculture. Through BRICS, the developing world should examine and, ultimately, negotiate investment agreements that are mutually beneficial for multilateral improvements in food security.

For Africa to improve its own food security while it becomes a major food producer for the world, the continent cannot be merely a passive recipient of aid and investment. African leaders must ensure that improvements in agricultural productivity benefit their people as much as they benefit the rest of the world. ■

Climate change – from Cancun to Durban and beyond

BRICS countries promised to reduce their greenhouse-gas emissions during last year's Durban climate-change talks, and their commitment needs to be matched by major economies

By Alexander Bedritsky, advisor to the president of the Russian Federation and special envoy for climate; president emeritus of the World Meteorological Organization

On 11 December 2011, two weeks of United Nations negotiations on climate change ended in Durban, South Africa. All expectations hung on the decisions over multilateral cooperation after 2012, which had been discussed since 2005 in the context of the Kyoto Protocol's second commitment period and since the 2007 Bali Action Plan adopted by the United Nations Framework Convention on Climate Change (UNFCCC) parties. While a compromise was finally adopted in Durban, many countries were not happy, but allowed the negotiations to end with concrete results. Still, several issues were postponed for 2012 or beyond.

The Durban conference made four key decisions: first, the second commitment period of the Kyoto Protocol will begin in 2013. That mechanism cannot operate legally as of 2013, as countries have not written commitments for the second period, and new Annex B text, which must be ratified by a majority of the parties to the protocol, was not approved. Specific commitments, the duration of the second period, and amendments to the annexes and the protocol will be discussed in 2012.

Second, the Durban Platform was launched, to be completed by 2015 and to ensure that 'a protocol, legal instrument or agreed outcome with legal force' come into effect in 2020. The status of commitments made at Copenhagen in 2009 and Cancun in 2010 remains uncertain.

Third, guidelines for reporting on implementation were adopted and, fourth, the governing instrument for the Green Climate Fund was approved.

The three latter decisions build on the Copenhagen conference, supported by 140 states, with 85 pledging to cut greenhouse gas emissions or reduce their growth by 2020. The turning point came in 2010 when developing countries confirmed their intentions, making it possible to consider a new beginning in climate change cooperation, with every country contributing towards common objectives.

The leaders of the BRICS countries committed to the following: Brazil pledged to reduce emissions by 39 per cent by 2020; Russia committed to cut between 15 per cent and 25 per cent from 1990 levels (depending on consideration of its forests and the participation of major emitters); India promised to reduce emissions per unit of gross domestic product (GDP) by up to 25 per cent below 2005 levels; China intends to reduce emissions by 45 per cent per unit of GDP from 2005 levels; and South Africa said it would cut emissions growth by 34 per cent.

BRICS countries represent 33 per cent of global energy consumption and 37 per cent of total emissions from fuel combustion. The targets they announced in 2009 demonstrated their commitment to limiting the increase in the global temperature by 2°C announced by the G8 in 2009. They reaffirmed that support at their 2011 Sanya Summit, seven months before Durban.

Another objective of BRICS is to implement measures that facilitate the rapid economic and social adaptation to climate change through technology. Cooperation among the five countries should complement the opportunities available through the UNFCCC. One key feature is Russia's inclusion among the developed countries, while its BRICS partners are considered developing. Historically, this distinction has carried differences in commitments based on the principle of common, but differentiated, responsibilities. Russia limited its emissions in the first Kyoto commitment period, but will not commit to those limits in the second period, prefering to take action within a new global agreement, the work on which was launched by the 2007 Bali Action Plan. Any new agreement is postponed until 2015. The Durban Platform's aim is that the new agreement comes into effect in 2020.

The decision made in Durban, in fact, delays the implementation of Cancun's emission cuts as legally binding until 2020, as no appropriate framework was established.

Honouring commitments

Will developed and developing countries comply with their commitments made in Copenhagen and reaffirmed in Cancun? The Kyoto Protocol includes targets for only 24 industrialized countries (without the United States) and 13 'transition economies'. Developing countries' actions are not accounted for in either the first or second commitment periods. In the second period, none of the BRICS countries will have quantitative reduction commitments.

The targets that the BRICS countries announced in 2009 demonstrated their commitment to limiting the increase in the global temperature by 2°C

Limiting the temperature increase by 2°C is possible only through global efforts. Most of these efforts should be made by industrialised countries, with a smaller, but still considerable, effort by developing countries. Their pledges may be conditional on international climate financing or technological transfer.

The continuity of the negotiation process is essential. New mechanisms should be found, including legislative ones, to consolidate commitments and allow for national conditions and capacities. This is especially important because of Durban's Green Climate Fund and the accountability framework on Copenhagen/Cancun commitments that begin in 2014. However, Durban did not define how to adjust these decisions to earlier commitments or the status of those commitments.

These issues should be considered in 2012, as work on the Durban Platform begins. BRICS countries have declared that national measures support commitments made for the period up to 2020. To meet its 2009 target to reduce emissions by 2020, China has implemented several low-carbon projects, and its 12th Five Year Plan provides for increasing the use of non-fossil fuels in energy production, enlarging its forest stock to 600 million cubic metres and expanding coverage by 21 per cent, improving energy efficiency and creating an emissions assessment system. It is establishing a national carbon market.

The major economies should act similarly towards their 2009 commitments. In the second commitment period, emissions of participating countries are likely to account for 15 per cent of total emissions. The transition for other countries will be long, and incentives are necessary for bringing in measures based on the Copenhagen/Cancun commitments. Developing countries could take nationally appropriate mitigation actions, supported in Durban, concerning financing, accountability and technology transfer. They will continue participating in the Clean Development Mechanism.

Modernising for green development

Developed countries not party to the Kyoto Protocol should focus on low-carbon development, adopting plans to modernise energy and technology to create long-term green economic development. Enhancing bilateral cooperation is vital. To some extent it is a consequence of the current situation with countries going through transition for many years and Kyoto's second period.

Participants' applause greeted the accord reached at last December's United Nations climate change talks in Durban

At present, actions to support the Copenhagen/Cancun commitments are not stipulated by the second period and cannot rest upon the main source of international law: international agreement. This situation could change, however, given the political will of negotiating countries.

One such opportunity would be to endow commitments with the status of international custom, defined as 'evidence of a general practice [in this case the Copenhagen/Cancun agreements]... accepted as law'. According to this definition, a country's behaviour in respect of the common vision of the global goal is legally binding. UNFCCC countries accept that goal as an international legal standard.

International custom is harder to implement than international agreements, but loses no significance. Standards codified in a convention remain valid for the countries that are parties to it and remain in force as customary law regulations for other countries.

A second opportunity is to transform the Copenhagen/Cancun commitments into an informal international agreement that would be the product of negotiations among the UNFCCC parties. It would not carry the legal status of an international agreement, but countries would comply and demand the same from their partners.

A third opportunity is unilateral legal acts of commitment and recognition. An act of commitment is a unilateral statement made by a country confirming its commitment to reduce emissions from 2013 to 2020 according to the stated terms, even if not provided for by existing international legal order. An act of recognition by the UNFCCC parties entails recognising their corresponding rights according to the act of commitment.

Much can be done if the necessary, lucid decisions are made at the next climate change conference. But decisions on the Copenhagen/Cancun commitments should be made now, otherwise political declarations about saving the climate are likely to remain unfulfilled. ■

How building links among BRICS could help to solve fuel problems

With BRICS countries playing a significant role in the world energy market, both as producers and consumers, there is much to be gained from setting up joint bilateral and multilateral programmes to develop their resources

By Mikhail Komarov, director, Russian Institute of Economy and Mineral Resources Exploration; Evgeny Kozlovsky, vice-president, Russian Academy of Natural Sciences; and Rudolf Makrushin, Russian Institute of Economy and Mineral Resources Exploration

Since 1997, global oil consumption has increased by 70 per cent, gas by 160 per cent, coal by 90 per cent and uranium by 50 per cent. The BRICS countries share an interest in raw materials and mineral resources exploration. The amount of hydrocarbons produced and consumed varies, but all BRICS members except Russia have a deficit.

Brazil meets only 20 per cent of its demand for crude oil through its own production. It imports 40 per cent of its oil from Saudi Arabia and 15 per cent from Venezuela. It is engaged in exploration in Algeria, Libya and Colombia.

Russia is a leader in oil reserves, production and export. Its energy exports have been rising. Between 2000 and 2004, crude oil exports grew by 80 per cent; it exports 40 per cent of its oil.

In the past decade, India's oil reserves have grown by 20 per cent, production by 33 million tons annually, consumption by 40 per cent and imports by 110 per cent. Imports from Russia continue to rise.

By 2000, China's oil production exceeded 170 million tons, much of it produced off its eastern coast. Oil imports to China have tripled in the past decade.

Growing demand for gas

Rising demand for natural gas is important in the world economy, and controversies between producers and consumers affect policy on mineral resources.

Also, in the past decade, Brazil's gas reserves have doubled and its production and consumption tripled. At the same time, imports reached almost 10 billion cubic metres. Foreign companies are exploring prospective offshore oil deposits in Brazil.

Russia is the largest exporter of natural gas. It has supplied gas to Europe for the past 30 years. Gas pipelines to Turkey and Germany have been built, with more under way for Turkey and Bulgaria. Russia's huge supply lies in Siberia's gas fields. Pipelines will carry the gas to Nakhodka, from where liquefied natural gas (LNG) will be transported to consumers.

All gas in India is produced from oilfields. In recent years, reserves increased by 20 per cent, and production and consumption by 60 per cent. Gas imports reached almost three billion cubic metres. India is interested in Russian liquefied gas from the island of Sakhalin. Russian company Gazprom has started prospecting in the Bay of Bengal.

China's gas reserves have increased by 20 per cent in the past 10 years. As production and consumption have grown by 110 per cent, these reserves are insufficient for its growing economy, so its gas imports have reached almost three billion cubic metres. It has reached agreement with Russia on gas imports from Siberia.

South Africa has low reserves of natural gas. It meets its energy needs by exploiting its deposits of coal and uranium.

Of the world's coal reserves, 60 per cent is concentrated in China, the US, Australia, the UK and Russia. Australia, China, South Africa, Russia and the US are the largest exporters, at 70 per cent of world exports. Coal consumption is increasing every year.

Over the past decade, Brazil's coal reserves have increased by 60 times, and production and consumption of coke has risen by 20 per cent. Imports have reached 14 million tons. Its mining industry cannot meet the demand, and the metallurgy industry runs a permanent deficit. As a result, prices for power-station coal in Brazil rise constantly.

Russia's coal is distributed unevenly, although 95 per cent is in the east. Coal mining volumes have been increasing, while domestic consumption has decreased. Exports have increased by two-and-a-half times over the past decade.

India's power industry depends heavily on the availability of coal. Coal dominates in the mining sector, and coal production exceeds 320 million tons annually.

China leads in proven coal reserves and production. The Henan and Shanxi provinces are known for their numerous coalfields. In the past 10 years, China's coal production and consumption have increased by 1.5 times and exports have tripled.

South Africa meets 80 per cent of its energy needs from its own coal. Its coal banks are shallow and thick, so strip mining is used, which lowers production costs. Over the past decade, its reserves have fallen by 2.4 times, and production, consumption and exports have risen by 1.2 times. South Africa's reproduction of proven coal reserves has also decreased.

Continuing role for nuclear energy

At the 2011 BRICS summit, the leaders noted that nuclear energy will continue to figure in their countries' energy mix. Several nuclear reactors have come into service since 2000, and there is a permanent deficit of uranium. According to the International Atomic Energy Agency (IAEA), 86 per cent of uranium reserves are concentrated in Australia, Kazakhstan, Canada, South Africa, Namibia, Russia, Niger and the US.

The Novokuibyshevsk refinery near Samara, Russia. The world's largest oil producer has seen exports increase

Uranium deposits have been discovered in Russia's Southern Yakutia, which has little infrastructure and offers an opportunity for Russian-Chinese cooperation

Brazil has joined the club of countries with nuclear energy. It now has two nuclear power plants. With about 160,000 tons of uranium ore reserves, the country has increased production to allow for recent domestic consumption and has built a uranium enrichment centre at which it produces fuel for its nuclear power plants.

Russia will soon become a uranium importer, given its high uranium exports and limited domestic resources. Russia and China cannot meet their increasing domestic demand. However, large uranium deposits have been discovered in Russia's Southern Yakutia. This region is undeveloped, has little infrastructure and offers an opportunity for future Russian-Chinese cooperation for its development.

The 2010 visit of Russian president Dmitry Medvedev to India was a historic moment, given the Russian-Indian agreements soon to be signed. India offered Russia land in West Bengal for building nuclear power plants.

In the aftermath of the 1986 Chernobyl disaster, South Africa's nuclear power industry declined. Reserves decreased by 20 per cent, production and consumption halved, and domestic consumption increased slightly. However, since 2005, thanks to higher world prices, the country has increased uranium production and resumed building new mines. It plans to provide its nuclear power industry with its own fuel.

The mineral base within the BRICS countries is being actively developed. These countries possess 11 per cent of global oil deposits, 29 per cent of gas and 43 per cent of coal. They account for 28 per cent of global oil production, 22 per cent of gas production and 65 per cent of coal production. Their complementary resources can help to address mineral deficits and derivatives through mutually beneficial trade and economic relations. It is thus important for them to establish joint bilateral and multilateral programmes to develop their mineral resources. ■

What factors are influencing China's climate policy?

China's rapid development makes it dependent on coal and oil, but the country also recognises its responsibility to cut emissions. Accordingly, the government's latest Five-Year Plan includes measures to develop low-carbon technology

By Xu Ting, University of International Business and Economics, China

As the major coordinating platform for emerging countries, BRICS plays an increasing role in the international arena. In 2011, BRICS members' share of global gross domestic product (GDP) based on purchasing power parity amounted to about 25 per cent and accounted for 45 per cent of the world's population. The contribution of the BRICS countries to global economic growth over the past decade has reached 50 per cent.

Pressure to cut emissions

In the field of environment governance and climate change, there are high expectations of BRICS countries, and pressure on them to reduce greenhouse gas emissions is also high. Emerging economies will play an important role in making global environmental rules and setting climate policy in the 21st century. The five countries share similar positions on the climate issue and hope their domestic economies continue to grow fast. However, in the process of economic development, while increasing production and improving infrastructure, these countries must exploit their resources excessively, which results in harmful impacts on the environment.

Developed countries and emerging economies have very different opinions on historical responsibility, the priority of emission reduction over development, funding and technical assistance. In responding to the global financial crisis, climate change and the rising cost of traditional energy, developed countries and transnational corporations have made strategic arrangements, increased investment in science and technology, and sought ways to take advantage of new energy technologies, including those for energy efficiency, emission reduction and supporting a low-carbon economy. Developed countries want emerging economies to control emissions according to Western standards.

Meanwhile, emerging economies recognise they have a responsibility to reduce emissions and protect the environment, but they maintain that developing countries should adopt different standards from developed ones. Emerging economies advocate common but differentiated responsibilities in global climate governance. They insist that Western countries should be responsible for their past environmental destruction and provide financial support and technology transfer to developing countries.

As the world's second largest economy and one of the largest emitters of greenhouse gases, China matters a great deal to international efforts to mitigate climate change. It shares a similar stance with its BRICS partners on climate, but has unique characteristics owing to its huge population, vast territory and energy situation. The country's efforts to mitigate climate change focus on improving energy infrastructure and energy efficiency, especially in the sectors of chemicals, iron and steel, and power generation, as well as decreasing energy intensity. However, China is very vulnerable to climate change. Adaptation thus has great significance.

China has overtaken the United States as the world's largest emitter of greenhouse gases, so it faces pressure to improve its mitigation efforts

China is still in a phase of rapid industrialisation and urbanisation. However, because of this stage of development and technical constraints, the country depends heavily on the traditional energy resources of coal and oil. This dependence brings increasing pressures of environmental costs, rising energy prices and Western public opinion. The country has overtaken the US as the world's largest emitter of greenhouse gases, so it faces increasing pressure to improve mitigation efforts, make them more transparent and consider submitting its domestic efforts to an international regime.

Growing demand for oil

China is the world's fifth largest oil producer. Demand for oil continues to increase rapidly. The country relies on imports to meet more than half its needs, a figure that is projected to rise to 80 per cent by the late 2020s. Growing concern over energy security and developed countries' increasing investment in low-carbon technology are pushing China to take more ambitious action on climate.

Technological innovation is key. According to its 12th Five-Year Plan, China will develop low-carbon technology to transform traditional industries and implement energy conservation in industry, construction, transport and other fields. The plan's climate change objectives include integrating energy consumption per unit of GDP and dealing with carbon-emissions intensity, the proportion of renewable energy and forest carbon sinks.

Chinese public awareness of environment and climate-related issues

Workers at China National Petroleum Corp's Liaohe oilfield. China is the world's fifth largest oil producer

is rising, and the general perception of climate change is changing. There is mounting concern about the impacts of climate change on the country's social stability and development prospects.

Threat to livelihood

The effects of climate change are evident across the country, and extreme weather is becoming more common. Droughts in the north have led to acute water shortages and failing harvests. For a country where farmers account for the majority of the population, disasters caused by climate change threaten the livelihood and stability of millions of Chinese people.

However, climate change remains predominantly viewed as a development issue domestically in China. With a per capita GDP of $3,700, ranking around 100th in the world, China remains a developing country. According to the United Nations, 150 million people in China still live below the poverty line. The government's priority is development. The country needs to develop its economy and improve people's livelihoods and living standards, while also addressing and adapting to climate change and controlling greenhouse-gas emissions.

The BRICS countries are participating in international action against climate change while fighting for their development rights and interests. Climate change will be an important issue at the summit. The leaders should promote the development of the green economy by linking it with climate-change control and carbon finance, and also promote the major economies' efforts in moving ahead on the climate issue. ■

Cementing BRICS as a coalition of the global South

The BRICS countries should broaden their ambitions to act as a group of responsible stakeholders in the new world order, engaging with the established powers in developing the norms and institutions of global governance

By Ramesh Thakur, Asia-Pacific College of Diplomacy, Australian National University

In an article in *The Hindu* on 16 June 2009, on the eve of the inaugural BRIC summit in Yekaterinburg, Russia, Brazil's President Luiz Inácio Lula da Silva wrote that "we live amid broken paradigms and failing multilateral institutions". The terminology of BRIC was coined by Jim O'Neill of Goldman Sachs in 2001. Its systematisation into summit diplomacy and evolution into the BRICS are a considered response to those broken paradigms and failing institutions.

In 1999, the action of the North Atlantic Treaty Organization (NATO) against Serbia – described as 'humanitarian intervention' – was promoted by Western powers as a response to the broken paradigm of state sovereignty, but criticised by almost all developing countries as a threat to the existing paradigm. In a speech in New York on 18 January 2012, United Nations secretary-general Ban Ki-moon said that events in Libya in 2011 "demonstrated that human protection is a defining purpose of the United Nations".

The UN's primary purpose is to maintain international peace and security. The chief responsibility for doing this is vested in the all-powerful Security Council (UNSC).

In the decades since the Second World War, interstate warfare between uniformed armies has given way to irregular conflict between rival armed groups. Many communist and some newly decolonised countries were internal security states, the regimes of which ruled through terror. The principal victims of both types of violence are civilians. Modern telecommunications technology brings the full horror of their plight into the world's living rooms in the age of an internationalised human conscience.

Collective action

The responsibility to protect (R2P) norm, introduced in the same year as the term 'BRIC', is the normative instrument of choice for converting a shocked international conscience into decisive collective action to prevent and stop atrocities. R2P spoke eloquently to the need to change the UN's framework in line with the changed reality of threats and victims. It struck a fine balance between unilateral interference, as exemplified in the discredited doctrine of humanitarian intervention, and institutionalized indifference, as embedded in the dominant norm of non-intervention.

The first R2P operation authorised by the UNSC occurred in March 2011 in Resolution 1973 to protect Libyan civilians from attacks by a regime that had declared war on its own people. Libya may well mark a pivotal rebalancing of interests and values. It proved that the international community, working through the authenticated, UN-centred structures and procedures of organised multilateralism, can deploy international force to neutralise the military might of a thug and intervene between him and his victims.

All the BRICS countries were members of the UNSC at the time; none was happy with the resolution. South Africa voted for it; the others, joined by Germany, abstained. All were highly critical of NATO for exceeding the resolution's carefully constructed limits. NATO was seen to ignore the restrictions of Resolution 1973 to target Muammar Gaddafi directly in a transparent effort at regime change, to break the UN's arms embargo by supplying weaponry to the rebels and to kill some civilians despite extraordinary care.

The 2011 composition of the UNSC brought together, for the first time in UN history, the powerful actors of the global South to sit at the top table of global executive decision-making alongside the five permanent members. Analysts asked whether the candidate countries for permanent membership had demonstrated due responsibility in dealing with the unfolding humanitarian crisis in Libya. Had they put themselves on the wrong side of the war (the rebels triumphed and are in power in Tripoli, while Gaddafi is dead) and of history?

Developing norms of governance

Wilful blindness to mass atrocities under contemporary conditions exacts reputational costs. As long as the rising new powers remain more concerned with consolidating their national power aspirations than with developing the norms and institutions of global governance, they will remain incomplete powers, limited by their own narrow ambitions, with their material grasp being longer than their normative reach. Simply being a naysayer

As long as the rising new powers remain more concerned with consolidating their national power aspirations, they will remain incomplete powers

– norm-spoilers – will ensure that history does indeed pass the BRICS countries by. Instead they must learn the arts of norm entrepreneurship, brokerage and carriage.

An effective way of avoiding being just a norm-taker is to learn the skills of becoming a norm-setter through issue-specific coalitions. BRICS might be an appropriate coalition for addressing issues of human security that have progressively ascended the agenda of international concerns but more often than not reflect Western perspectives, values and interests when translated into 'global' norms.

The commitment to the R2P global norm is no longer in question. But the debate on the manner and conditions of its implementation has only just begun post-Libya. Brazil has offered a paper on "responsibility while protecting" that, although rough in some parts, has the potential to bring in agreed parameters to govern UN-authorised R2P operations. In this way, the BRICS members will become joint and responsible stakeholders in the emerging new world order that replaces the struggle for power with a competition for normative ascendancy based on a mix of power, values and ideas for good governance.

A new international consensus

Equally, though, for their part, the leading Western powers must engage the BRICS countries to appreciate and allay their anxieties. Just as in the successful transition from the deeply divisive and unilateral humanitarian intervention to the consensual R2P, progress will require a respectful conversation across the North–South divide.

Ban Ki-moon's R2P reports have sustained and consolidated a new international consensus on the inherently controversial and contentious subject. Instead of being disdainful of and disrespectful towards the critics of how R2P was implemented in Libya, its promoters should listen, acknowledge and accommodate legitimate concerns.

This is desirable in principle to prevent the global consensus on R2P from fraying and dissolving. It is also necessary because of the economic, military, geopolitical and moral rebalancing in the world order as power and influence shift from the West to the rest as represented in BRICS. ■

The fall of Muammar Gaddafi was met with widespread jubilation in Libya, but some countries were critical of the military action that was taken

Summit must play a part in creating a safer global information space

Tackling information security is complex, raising questions of sovereignty and diverging attitudes to human rights. Several international strategies have been drawn up to address the challenge, but BRICS members should also consider the issue

By Vladislav P Sherstyuk, aide to the secretary of the Russian Federation Security Council; director, Lomonosov Moscow State University Institute of Information Security Issues

The internet today unites more than two billion people, providing novel opportunities for communication and cooperation. It is an integral part of society, a driving force of the global economy, and a factor in stimulating growth and innovative development. It penetrates all areas of human activity: production, management, politics, finance, trade, science, education, culture, defence and entertainment.

Yet the gap has grown between this rapidly developing information society and efforts to regulate new forms of social and international relations. This gap is evident in increased interdependence and vulnerability and, consequently, increased damage from cybercrime. Unfortunately, during the past decade, the 'global information space' has been transformed into a competitive arena for achieving strategic and tactical political purposes.

The global information space has emerged spontaneously as a result of anonymous cross-border activities and inadequately delineated jurisdictions. Priorities and threat assessment form a classic triad: crime in the information sphere, use of information and communication technologies (ICT) for terrorism, and ICT use for military and political aggression. There are other threats, such as a country using its dominant position to damage others' interests and security, which are increased by the digital divide and differences in how countries control technology and markets.

Today's challenge is to reach a common understanding that segmentation and

isolation of any of the components of the information space is unacceptable. Global information security cannot be limited to fighting cybercrime. In addition, there is the danger of creating information weapons and preparing to wage information wars, and the disarmament aspect. Hackers, cyberfraudsters, hacktivists, virtual terrorists and combatants act in the same information space, using similar methods and modelled on identical technical principles, aiming at the same critical infrastructures and vulnerabilities.

Coordinated approach to security

The global nature of the information space demands a shared approach to ensuring its security. No single, or even regional, group of countries or bloc can manage it alone. It requires the widest possible involvement of states, regardless of the level of infrastructure development.

The complexity of security problems is illustrated in International Strategy for Cyberspace, the concept paper published in May 2011 by the United States. Russia's Information Security Doctrine was among the first documents to articulate a national vision on information security in 2000. The United Nations (UN) General Assembly has passed several resolutions on ICT in the context of international security and cybersecurity. The G8's Lyon-Roma Group established the 'high-tech crime subgroup', and the G8 leaders discussed the issue at their 2011 Deauville Summit.

Aspects of information security, such as combating cybercrime and protecting personal data, are reflected in several international documents, including the Council of Europe Convention on Cybercrime, which was adopted in 2001. This document has helped many countries in taking steps needed to establish an appropriate legal framework.

However, by August 2011 only 47 countries had signed the convention and only 31 had ratified it. While many disagree with its legal definitions, the main obstacle to accession is that it allows cross-border investigation, which violates principles of state sovereignty and human rights.

Information space is a universal heritage. Its security is the basis for sustainable development of civilisation. Responding to new challenges, Russia has produced several initiatives. In September 2011, a draft resolution on the rules of conduct in cyberspace was submitted to the UN. At the international meeting of national security advisors in Yekaterinburg, Russian Security Council secretary Nikolai Patrushev proposed a convention on international information security under the auspices of the UN, developed by the Russian Security Council.

The convention would extend recognised principles and norms of international law to the sphere of information. This measure would include combating the use of ICT to violate international peace and security, establishing measures to facilitate social and economic development, preventing interference in the internal affairs of other states, and ensuring respect for human rights and fundamental freedoms.

Those principles are based on the need to balance such freedoms with effective counteraction to military-political, terrorist and criminal aggression. Drawing upon international experience and taking into account countries' responses, including negative ones, the draft defines measures to counter threats to information security.

Many experts emphasise the complexity of these issues. The provisions, which are often criticised, are inseparably linked. The notion of network sovereignty allows for the possibility that a country can make a claim against another for its actions in the information space. If such claims about the hostile use of servers in a country's information space are allowed, then it should also have the right to apply its own laws and exert its sovereignty in this area of the information space.

Human rights debate

The most debatable issue is whether legal agreements on international information security limit human rights and freedoms. Many conflicts arise between the right to free speech, the right to privacy, the right to dignity and the protection of intellectual property rights. Clear rules are needed to determine when one right takes priority. Countries formulate such rules differently, based on historical and cultural traditions and their constitutional systems.

The UN's International Covenant on Civil and Political Rights states that everyone has the right to "seek, receive and impart information and ideas of all kinds, regardless of frontiers". But this right may be subject to restrictions necessary for "respect of the rights or reputations of others" and for the "national security or of public order... or of public health or morals". In many countries, such restrictions are imposed through internet content filtration.

Information security is included in many declarations by members of international organisations including the Shanghai Cooperation Organization, the European Union, the Organisation for Economic Cooperation and Development, the Asia-Pacific Economic Cooperation forum, the Organization of American States, the Association of Southeast Asian Nations, the G8 and the North Atlantic Treaty Organization. Given that the BRICS members span continents, civilisations and digital divides, the world would win if the BRICS summit included information security on its agenda. ■

Hackers, cyberfraudsters, hacktivists, virtual terrorists and combatants act in the same information space, using similar methods and technical principles

The Indian retail boom awaits business model innovations

Many countries have witnessed a retail revolution, with traditional family-run stores giving way to major operators. Yet in India the neighbourhood shop still rules. So what does 'organised retail' need to do if it is to succeed in this market?

By R Gopalakrishnan, director, Tata Sons Ltd

Foreign direct investment into the Indian retail sector is controversial, and carries political overtones. Few other countries have witnessed such a 'life-and-death' debate. The protagonists exaggerate the benefits by a wide margin and the antagonists articulately verbalise imaginary ghosts.

I have a close association with the retail grocery trade in India, thanks to my long career at Unilever. During the post-war boom and later in the 'Asian Tiger' period, several commentators predicted the imminence of the transformative and inevitable concentration of the grocery retail trade. Modern trade, also known as 'organised retail', would be the next big business opportunity. India could experience a sharp shift from 'brand power' to 'retailer buying power'. Marlboro 'Black Friday' on 2 April 1993 and Naomi Klein's book *No Logo*, published in 2000, heralded the end of branding.

I have long held a contrarian view. In 1999, I predicted the status of retail after 15 years of liberalisation: "The consumer will, by and large, continue to shop in neighbourhood stores, even in 2011, when it comes to daily consumption items."

Today, in 2012, my intuition was right. India is experiencing dispersed retail trade as measured by the number of retail outlets per thousand people. While organised retail exists, its development and spread have been neither exemplary nor impactful.

According to Nielsen's December 2011 report *Managing the Middle India Gold Rush*, more than 250 retail stores were added per town in the past three years in about 400 Indian towns with a population between 100,000 and one million people.

The period following the Second World War witnessed rapid reconstruction and economic growth – along with the decongestion of urban areas and a growing suburbia, the credit card economy and a middle class with spending power. Household grocers rapidly yielded to modern retail. In the United States and the United Kingdom, the share of organised retail is now 85 per cent and 80 per cent respectively.

The same phenomenon has occurred in the Asian 'tigers': 55 per cent in Malaysia and 40 per cent in Thailand.

What lay behind the changes?

Six factors were simultaneous triggers globally. Disposable income increased, as the rapid growth of per-capita income coupled with low interest rates helped to stoke consumption. Labour costs rose, as it became uneconomical to employ staff in 'mom-and-pop' shops. The changing family structure with double-income families with fewer children meant less frequent grocery shopping with more purchases per visit.

The formal financial system allowed for the possession of bank accounts and inexpensive credit, which boosted consumer power. Changing real-estate prices meant people moved to suburbia and stores with parking and food stalls could open in modestly priced, big spaces.

Relationships and customer experience are especially influential in India, where the local shopkeeper enjoys trust and familiarity

Finally, improved infrastructure, with new roads and increased mobility, made shopping easier.

In India, the development of these factors has been far from uniform or concurrent. Nonetheless, synchronicity is not required for organised retail to produce big opportunities. A uniquely Indian model could be developed through 'Business Model Innovation'.

The penetration of organised retail (specifically supermarkets and chain stores) in India has been low. Organised retail accounts for only seven per cent of India's $435 billion grocery retailing business, much lower than in other countries, including India's BRICS partners of Brazil, Russia, China and South Africa.

To grow, organised retail must account for the characteristic features that drive such Indian consumer choices. For a start, the penetration of financial services in India is low. Close to 40 per cent of the population is still unbanked. Credit penetration is as low as two per cent. Indians' low per-capita income means more frequent shopping with smaller outlays per store visit. A significant number of Indian consumers do not have enough money to stock up so they buy goods as required. The local kirana – 'mom-and-pop' – store serves this need efficiently.

With lower incomes, customers are extremely price sensitive and often need credit, usually provided by neighbourhood stores. Relationships and customer

Home-improvement superstores serve India's growing middle class

Stores selling designer goods are a popular attraction in India's shopping malls

experience are especially influential in India, where the local shopkeeper enjoys trust and familiarity. The proportion of Indian women who work full time remains relatively low, so they have time to shop. Moreover, they perceive shopping at their neighbourhood store, accompanied by discussions with the shopkeeper, as a pleasurable pastime. This may be missing in a sanitised, organised retail environment.

Consumer demand has preceded infrastructure in India. Poor road networks, inadequate parking, expensive land and low car penetration impede a good shopping experience. A powerful alternative is the kirana shop's free home delivery for even the smallest items.

Clearly, the organised retail game must be played differently in India. But international retail players can innovate to suit the Indian situation.

The experiences of some fast-food chains provide valuable lessons. Within three years of its 1996 launch, Pizza Hut opened its first vegetarian restaurant in Gujarat. There are now three all-vegetarian Pizza Huts in India, the only ones in the world.

Parent company Yum learned this lesson the hard way. After it closed its unpopular KFC restaurants in India in the 1990s, it did not relaunch the brand until 2004, with vegetarian meals, wraps and side dishes — the most extensive meat-free menu in the chain's worldwide operations.

Four business model innovations

First, retail should provide an engaging consumer experience. It is not like the petrochemicals or telecommunications industries, in which the expertise and model can be transplanted across regions. Importing a successful retail model is hazardous without serious, adaptive innovation: customer needs vary from region to region. A strength of neighbourhood stores is the extension of credit to clients, a facet that could be accommodated in the business model innovation.

Second, the existing model or the market limitations must not dictate. Udupi restaurants serving the traditional idli or dosa have turned constraints into opportunities. In locations with a quick turnaround of customers, they offer stand-up meals with self service. This increases the number of people who can be served, reduces staffing needs, ensures faster turnaround and uses minimal space.

Third, the model should be designed not as 'either/or', but as 'this and that'. How can organised retail provide the kirana's home delivery while continuing to focus on other benefits? Surely, getting the right people for the job is the least that can be done.

Finally, a compelling consumer value proposition is required. Organised retail must differentiate itself from the kirana store. Can a broad range of merchandise be a sustainable differentiator, given that most kirana stores are too small to stock a wide assortment? Or can organised retail stores add value with postal, email or money-transfer services?

The Indian media grandly announce the huge investments made by big domestic and foreign players in organised retail. Most of these players have had frustrating, if not negative, experiences. Tata's approach in retail has been to experiment, adapt and grow gradually, using the 'Build-Improve-Expand' model. Some find this model conservative and slow, but it has provided valuable insights and a strong foundation for profitable growth.

India offers a huge opportunity for retail, but success requires an experimental, adaptive and innovative approach. ■

India offers an investment opportunity in infrastructure

Large-scale investment is required to finance the modernisation and expansion of India's infrastructure

As India's economy has grown, it has made huge strides in addressing its infrastructure deficit. Much more investment is still required on a vast scale, and public-private partnerships may hold the key to meeting the huge costs involved

By BK Chaturvedi, Planning Commission, Government of India*

India's economy has grown over the past decade at a healthy annual rate of around nine per cent, specifically over the past four years, despite the effects of the global downturn. For 2010-11, the growth in gross domestic product (GDP) will be 8.4 per cent.

The driver of this growth has been increasing private investment. Over the past decade, the savings rate has risen from 23 per cent to 36 per cent of GDP, which has led to increased investment. While the total investment in infrastructure has risen from 5.71 per cent of GDP in 2006-07 to around 8.37 per cent in 2011-12, private investment has gone up from 1.65 per cent of GDP to 3.3 per cent over the same period. This trend has taken place across most sectors. Table 1 indicates the major investments in infrastructure as set out in the mid-term appraisal of India's Eleventh Plan for 2007-12.

The major investment opportunities in India today, therefore, occur in power, roads, railways, telecommunications, and oil and gas pipelines. Simultaneously, there are huge opportunities in airport and seaport expansion, for which proposals for public-private partnerships (PPPs) are being invited.

Investment in infrastructure for the Twelfth Plan for 2012-17 is estimated at $1 trillion, almost double that of the Eleventh Plan. The investment opportunities for the private sector have become large because of the PPPs under consideration, including infrastructure as well as the social-sector areas such as health and education. Some areas in which there are serious gaps that require investment are noted in Table 2.

In areas such as inland waterways, there is a major emphasis on developing networks. Although there has been very little investment in that sector, great opportunities exist.

Table 1: Investments by sector in India's Eleventh Plan

(Rupees, crore at 2006-07 prices)

Sector	Eleventh Plan	
	Original projections	Revised projections
Electricity	6,66,525 (30.42)	6,58,630 (32.06)
Roads and bridges	3,14,152 (15.28)	2,78,658 (13.57)
Telecommunications	2,58,439 (12.57)	3,45,134 (16.80)
Railways	2,61,808 (12.73)	2,00,802 (9.78)
Irrigation	2,53,301 (12.32)	2,46,234 (11.99)
Water supply and sanitation	1,43,730 (6.99)	1,11,689 (5.44)
Ports	87,995 (4.28)	40,647 (1.98)
Airports	30,968 (1.51)	36,138 (1.76)
Storage	22,378 (1.09)	8,966 (0.44)
Oil and gas pipelines	16,855 (0.82)	1,27,306 (6.20)
Total	**20,56,150 (100)**	**20,54,205 (100)**

Note: figures in brackets indicate sectoral shares compared to total investment in infrastructure

Table 2: Selected areas of Indian infrastructure deficit

Electricity	Setting up of new power capacities, transmission lines, distribution utilities, solar thermal power plants, wind energy plants
Road	National highways programme under the National Highways Authority of India, expressways, rural roads
Railways	High-speed rail, eastern and western freight corridors, and other freight corridors (Kolkata-Chennai, Delhi-Chennai, Mumbai-Kolkata and Mumbai-Chennai), electric and diesel engine manufacturing, modernisation of railway stations
Port	Expansion of handling capacities in major and non-major ports through public-private partnerships
Airport	Expansion of passenger and freight capacities through modernisation of airport terminals in Navi-Mumbai, north-east and other identified locations
Telecommunications	Expansion of broadband, 3G and 4G networks and telecoms network to cover unconnected population
Oil and gas	About 18,000km of gas pipeline to expand the network and make it accessible; oil and shale gas exploration

Table 3: Infrastructure development in BRICS countries

	Mobile users (subscribers per 1,000)		Electricity power consumption (per capita kWh)		Road network (km/1,000 sq km)	
	2001	2010	2001	2009	2003	2008
Brazil	160 (63.7%)	1,040 (114.28%)	1,750 (47.8%)	2,206 (53.87%)	200 (18.21%)	210 (10.82%)
Russia	50 (20%)	1,680 (184.61%)	5,275 (144.32%)	6,136 (149.84%)	50 (4.56%)	60 (3.09%)
India	10 (3.98%)	640 (70.33%)	402 (11%)	597 (14.57%)	1,100 (100.18%)	1,290 (66.49%)
China	110 (44%)	640 (70.33%)	1,070 (29.27%)	2,031 (64.24%)	190 (17.3%)	390 (15.46%)
South Africa	240 (95.6%)	1,010 (110.98%)	4,365 (119.43%)	4,532 (110.67%)	300 (27.32%)	300 (15.46%)
Global	**251 (100%)**	**910 (100%)**	**3,655 (100%)**	**4,095 (100%)**	**1,098 (100%)**	**1,940 (100%)**

Notes: figures in brackets indicate percentage of global average. Data is for 2004

Brazil, Russia, India, China and South Africa have made an effort to meet their infrastructure deficits, especially in telecommunications, electricity and roads

Over the past few years, Brazil, Russia, India, China and South Africa have made an effort to meet their infrastructure deficits, especially in telecommunications, electricity and roads. Major investments have been made, as described in Table 3.

Table 3 also indicates that progress in several infrastructure sectors over the past decade has been spectacular in the BRICS group. This indicates both the gap and, hence, the potential for investments. For example, the availability of power has risen, especially in India and China. Given the large gap with the world average in these countries, as well as Brazil, there remains much potential for investment as incomes grow. More than 50 per cent of power requirements over the next 20 years will come from these two countries.

Projects such as the Delhi Metro illustrate India's commitment to improving its infrastructure

Similarly, there is a huge gap in their road networks. China and India need to invest substantial resources – the latter could invest nearly $1 trillion in infrastructure over a period of five years.

Between 2001 and 2009, the number of projects with private investment in infrastructure rose substantially in China and India. While, globally, private-sector investment increased from $65.3 billion to $152 billion, in the BRICS it rose from $29.8 billion to $90.8 billion. This is three times as much growth, compared with 2.4 times as much for the world as a whole.

As a share of global projects, BRICS rose from 45.37 per cent to 55.20 per cent and the investment share increased from 45.57 per cent to 59.74 per cent. Clearly, the BRICS economies are growing faster than those in the rest of the world.

The enormous opportunities for investment in infrastructure require large amounts of funding. Investment on this scale is feasible only if both public and private investments are mobilised. In particular, the PPP model offers excellent scope for investments. A policy for such investments in almost all sectors already exists in India. The need is now to utilise these instruments fully. ■

** The views expressed are the author's own and are not those of the Indian government*

Brazil | Dilma Rousseff

Dilma Rousseff was elected the 36th president of Brazil on 31 October 2010 and inaugurated on 1 January 2011. In 2002, Luiz Inácio Lula da Silva appointed her minister of energy. In 2005, she became chief of staff and remained in office until 31 March 2010, until stepping down to run for president. She was born in Minas Gerais, Brazil, on 14 December 1947. Rousseff studied economics at the Minas Gerais Federal University School of Economics and did postgraduate studies in economics at the Campinas State University. She is divorced from Carlos Franklin Paixão de Araújo, with whom she has one child.

Russia | Dmitry Medvedev

Dmitry Medvedev became president of Russia in 2008, after winning the presidential election and replacing Vladimir Putin, whose term in office had expired. Medvedev's term in office will end in May, when president-elect Putin will be inaugurated. Before entering politics, Medvedev worked as a legal expert and lawyer. He was officially endorsed as a presidential candidate in December 2007 by United Russia, Russia's largest political party. Medvedev served as deputy prime minister from 2005 to 2008. He was born in Leningrad – now St Petersburg – on 14 September 1965. He earned a degree in law in 1987 and a doctorate in private law in 1990 from Leningrad State University. He is married to Svetlana Medvedeva and they have one child. Medvedev hosted the first BRIC summit, which was held in Yekaterinburg in 2009.

India | Manmohan Singh

Manmohan Singh became prime minister of India in May 2004, replacing Atal Bihari Vajpayee, who held the position from 1998 to 2004 and also for a short period in 1996. Singh was re-elected in May 2009. Before entering politics, he worked as an economist, including for the International Monetary Fund. He was governor of the Reserve Bank of India from 1982 to 1985. Singh was first elected to the upper house in 1995. He was re-elected in 2001 and 2007 and has held cabinet positions including minister of finance and minister for external affairs. He was born in Gah, Punjab (now Chakwal district, Pakistan), on 26 September 1932. He received his bachelor's and master's degrees from Punjab University in 1952 and 1954. He also received an undergraduate degree from Cambridge University in 1957 and a doctorate from Oxford University in 1962. He and his wife, Gursharan Kaur, have three children. The New Delhi Summit is the first BRICS summit hosted by India.

China | Hu Jintao

Hu Jintao has been president of the People's Republic of China since March 2003. He replaced Jiang Zemin, who had held the position since 1989. Hu also serves as general secretary of the Communist Party of China's (CPC) Central Committee and chair of the Central Military Commission. Before entering politics, he worked as an engineer. He joined the CPC in April 1964 and began working with the party in 1968. In 1992, he was elected to the Standing Committee of the Political Bureau of the CPC Central Committee and was re-elected in 1997. He became vice-president of China in March 1998 and vice-chair of the Central Military Commission in 1999. In 2002, Hu was elected general secretary of the CPC Central Committee. Born in Jiangyan, Jiangsu, on 21 December 1942, he received his engineering degree from Tsinghua University in 1965. He is married to Lui Yongqing and they have two children. Hu hosted the 2011 Sanya Summit.

South Africa | Jacob Zuma

Jacob Zuma became president of South Africa on 9 May 2009, succeeding Petrus Kgalema Motlanthe, who had held the position since September 2008. Zuma joined the African National Congress (ANC) in 1958 and joined the ANC's National Executive in 1977. In 1994, he was elected National Chair of the ANC and chair of the ANC in KwaZulu-Natal. He was re-elected to the latter position in 1996 and selected as the deputy president in December 1997. Zuma was appointed executive deputy president of South Africa in 1999 and held that position until 2005. He was elected ANC president at the end of 2007. Born on 12 April 1949, in Inkandla, KwaZulu-Natal Province, he has received numerous honorary degrees. He has three wives and several children. Zuma attended his first BRICS summit in Sanya in 2011, when South Africa became a member.

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