

## BRICS – a bloc or a bubble?

BRICS stands for Brazil, Russia, India, China and South Africa. This heterogeneous group of five large countries each underwent dramatic economic growth in the past decade. Now they are forging links among themselves, are calling for greater recognition of their weight in international institutions and are creating a development bank. But is the group here to stay?

### Origins

The acronym **BRIC** was [first coined in 2001](#) by Jim O'Neill, then head of global economic research at Goldman Sachs, who predicted the rise in economic power of **Brazil, Russia, India and China** in the decade to come and proposed reshaping the G7 to the G9. Two years later, Goldman Sachs came up with the phrase 'the [BRICs dream](#)', predicting that their economies together could become larger than the G6 (G7 minus Canada) in US dollar terms by 2039.

An acronym that had been created for use strictly among investors entered the mainstream a few years later. The BRIC foreign ministers started holding [annual meetings](#) in New York in 2006, on the sidelines of UN General Assembly meetings. The BRICs [first summit](#) was hosted by Russia in Yekaterinburg in June 2009. Since then, yearly summits are hosted in turn by each country. BRICS leaders also [meet](#) informally on the sidelines of other major events. Several ministerial level and sectorial [meetings and fora](#) have taken place in recent years. In late 2010, **South Africa** [joined](#) the group and the acronym was accordingly changed to **BRICS**. The fifth summit, held in Durban, South Africa in March 2013, concluded the first cycle of BRICS summits according to the [eThekweni Declaration](#). That summit established the BRICS Think-Tanks Council and the BRICS Business Council. The seventh summit will be held in July 2015 in [Ufa](#) (Russia).

### A bank for the BRICS

The sixth BRICS summit, held in Fortaleza (Brazil) in July 2014, [decided](#) to create the **New Development Bank (NDB)**, with an initial subscribed capital of US\$50 billion, shared equally among the five members. The purpose of the bank, as stated in the summit declaration, is 'mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies'. China will host the headquarters, in Shanghai. The summit also decided to create the **BRICS Contingent Reserve Arrangement (CRA)**, with an initial size of US\$100 billion, to help its members withstand financial crises. The establishment of a bank represents the BRICS countries' reaction to the reluctance of developed countries to reform the IMF and the World Bank.

*For further information, see the 'At a glance' note from EPRS on the [BRICS Bank and CRA](#).*

### The combined weight...

The five countries stand **powerful** in terms of **dimensions, demography and economy**. They encompass 26.6% of the [world's land](#) and 42.5% of the [world's population](#). In 2013, their GDP was 21.1% of [world GDP](#). They represent around 20% of [world trade](#). Intra-BRICS trade is [growing fast](#), from €20 billion in 2002 to €210 billion in 2012 (though more commodities than industrial goods), with a [target](#) of €380 billion in 2015.

### ...of a heterogeneous group of countries

These countries, however, **do not share a common geographical context**, nor constitute a trading block, **nor are they united by cultural affinities or historical ties**.

**Asymmetry** among the five is evident. **China's economy is larger than those of all of the other members combined**. Its GDP represents 58% of the group's GDP. Two-thirds of BRICS trade is generated by China, which is obviously a dominant position: it acts as a counterpart in 85% of [intra-BRICS trade](#) flows. For each of the BRICS countries, China ranks among the top three export destinations.

At the same time, the structures of the BRICS economies are quite different: while China and India are pursuing industrial development, Brazil and Russia are counting more on the gains of commodities exports.

This **heterogeneous group** is composed of three multi-ethnic and multi-cultural democracies (Brazil, India, South Africa) and two rather authoritarian states (China, Russia). The first three had already established in 2003 a South-South structured dialogue, [IBSA](#), based on the [Brasilia Declaration](#).

The inclusion of Russia in BRICS has been [challenged](#). While the other members are real emerging developing economies, Russia is a former superpower, as well as being the only one of the group facing worrying [prospects](#) in both demographics and population health.

**South Africa** (with a land area almost [double](#) that of France, the biggest EU country) is **significantly smaller** than the other members. Nevertheless it was welcomed into the group in order to encourage its South-South dimension and enhance its political and economic presence in the African continent, which has vast natural resources and whose [trade with BRICS](#) is more significant than intra-BRICS trade.

## The future is bright?

Should Western countries be worried about BRICS? And how much is their rise contributing to fears of the '[Decline of the West](#)'?

In fact, the group has **not threatened** the current multilateral and financial international structure. BRICS have instead called for reforms allowing them to acquire decision-making power consistent with their economic weight and the role they are assuming as regional powers. In other words, they want respect.

In the case of the **UN Security Council**, of which China and Russia are permanent members, Brazil, India and South Africa see the BRICS framework as a way to legitimise their individual bids to obtain a permanent seat on behalf of their respective continents. The creation of the New Development Bank may well represent the BRICS' extreme reaction to Western political unwillingness to proceed to reforms of the voting rights within the **IMF** and the **World Bank**. However, it also marks a turning point from criticism to concrete action.

This '[negative agenda](#)' appears to be a sign that the BRICS countries aspire to use their association as a [tool](#) to **better defend their national interests** in a global framework for which they do not show the intention to take responsibility. They are also a long way from planning any kind of integration; rather, they want to exploit the 'power-multiplier' potential of their group to pursue their own national agendas.

How much **cohesion** BRICS will be able to build is another issue. China, India and Russia – all of them nuclear powers – are neighbouring countries, have border disputes and are in competition in several areas, including in obtaining African resources. When voting in the UN General Assembly, the BRICS countries have so far succeeded in coordinating their positions only in [around 60%](#) of cases. This is why some observers tend to consider BRICS a '[political club](#)' rather than a bloc, whose purported unity masks deep [divergences](#) in world views.

## The EU and the BRICS

The EU does **not recognise** the BRICs as a group and maintains bilateral relations with each. The Union is the [main exporter and importer](#) for all BRICS but India. The latter is the only one with which the EU is [negotiating](#) a Free Trade Area (FTA), since 2007. Each of the BRICS countries is covered by a [strategic partnership](#), but these cooperation instruments have basically failed thus far, despite untapped potential.

Whatever the future of BRICS, the emergence of this group is also an incentive for the EU to review its strategy towards these countries. A serious warning came from the **Copenhagen Climate Summit** experience in 2009, in which the final agreement was reached through negotiations between the USA and BASIC (Brazil, South Africa, India and China, with Russia playing a modest role), with the EU [side-lined](#).

The **European Parliament** adopted in January 2012 a [report](#) on 'the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies'. MEPs underlined the interdependence between the emerged powers and the BRICS and other emerging economies, and called for regular high-level meetings between the EU and individual BRICS countries. The EP, recognising the differences among the group members, called on the EU to develop synergies with those that share democratic values and strive for a social market economy. According to MEPs, the EU and its transatlantic partners should achieve economies of scale and develop concerted efforts to enable them to interact with the emerging powers. The EP also called on the EEAS to establish an ad hoc coordination mechanism to ensure that all individual policies towards the BRICS are compatible from a systemic point of view.