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The BRICs and international relations:
An assessment of the potential leaders in a global future

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Abstract

The term BRICs has been the subject of much debate since it was coined in 2001 to define the largest emerging markets in the world. This thesis focuses on the BRICs; their development over the past decade, their current situation and, finally, their future prospects. First, the term itself is discussed and potential new BRICs are identified. Then, in order to see if the rise of BRICs can be seen as a uniform long-term development in international relations or simply as a one-off, each of the BRICs is assessed individually so as to provide some clarity about their strengths and weaknesses. This assessment provides a foundation for discussion about the role of the BRICs internationally and enables for a thorough comparison of the BRICs thus shedding some light on the validity of the term as a whole. Finally, some of the implications that the rise of the BRICs carries with it for the current structure of the international system will be considered and potential institutional changes examined. The conclusion is that the ultimate success of the BRICs hinges on many factors and that the international system must work towards including them in its institutional framework if their rise is to be peaceful and in accordance with human rights.

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Part I: Introducing the BRICs

In 2001, Jim O'Neill at the Goldman Sachs Bank published a paper where he coined the term “BRICs” in order to identify the largest emerging markets in the world. The BRICs, an abbreviation consisting of the first letter of each of the four BRIC countries’ names - Brazil, Russia, India and China - have been in the limelight throughout the 2000s mainly because of their economic development and potential. O'Neill’s prediction was that the BRICs, China in particular, would experience significant economic growth and eventually become dominant actors economically on the international stage.¹ The key features seen as linking the BRICS were their large populations, relatively stable governments and a potential for significant economic growth. A few years later, in 2003, the predictions of Goldman Sachs became even more optimistic as they predicted that by 2050 the BRICs’ economies could together be larger than those of the G6 (USA, UK, France, Germany, Italy, Japan).²

While the term was originally used to group the four BRICs together for economic reasons, by the end of the 2000s it has become clear that the BRICs have increased their presence on other fronts as well and are today important actors on the international stage both through their role in institutions and other initiatives. The financial crisis of 2008 and 2009 has had a significant impact on the balance of global affairs as most of the BRICs have fared better than their Western counterparts and managed to maintain their economic growth, to a large degree. The rise of the BRICs, and, perhaps, that of China in particular has caused many global system-theorists to rethink the balance of power in the world. The USA is no longer considered to be the world's only superpower by a large margin. Instead, it is predicted that potentially powerful states such as the BRICs will assert their strength on the international scene to a larger extent in the coming decades.³

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- 1 Jim O'Neill, “Building Better Global Economic BRICs,” *Goldman Sachs Global Economics Paper* 66 (November 30th 2001): 1, <http://www2.goldmansachs.com/ideas/brics/building-better-doc.pdf> (10th February 2010).
 - 2 Dominic Wilson and Roopa Purushothaman, “Dreaming With BRICs: The Path to 2050,” *Goldman Sachs Global Economics Paper* 99 (October 1st 2003): 1, <http://www2.goldmansachs.com/ideas/brics/book/99-dreaming.pdf> (10th February 2010).
 - 3 National Intelligence Council, *Global Trends 2025: A Transformed World* (Washington D.C.: National Intelligence Council, 2008), 1-3.

Although the four BRIC countries have been grouped together in this way, there are probably more things that separate them than unite them. What they have in common is predominantly a large population (although India and China have a much larger population than Brazil and Russia), and the resources and stability to maintain economic growth. Besides this potential for growth and power there are few similarities. Geography, political climate, history and main industries are very different from country to country. Each of the BRICs bases its economy on distinctly different sectors. Brazil has a competitive agricultural sector, Russia relies primarily on its vast oil and gas resources, India has become renowned for its competence and competitiveness in the IT sector, and China bases much of its economy on manufacturing. Some have also fared better than others in the financial crisis, and the question may be raised whether the term BRIC is at all useful or relevant today. Also included in this problem of definition is whether to allow potential new candidates “membership” in the illustrious group. The so-called N11 nations (The Next 11: Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Nigeria, Pakistan, the Philippines, Turkey and Vietnam) have been touted as the next group of potentially major emerging markets and a few of them might, perhaps, be suited to become a BRIC.⁴

Problems of definition aside, it is clear that the BRICs have experienced strong economic growth over the past decade, and have gained upon the traditionally influential Western countries in terms of economic strength. This development, in addition to the recent financial crisis, has given the BRICs increased confidence to act on the international scene, and thus their political clout has grown and will probably grow more in the years to come. The future structure and effectiveness of global, international and regional governance through institutions or bilateral agreements depends, to a large degree, on the way that the BRICs will be included in policy-making. In order to agree on useful global agreements and conventions it is absolutely essential to include developing countries and, in particular, the BRICs. With increased political and economic powers, it is likely that the BRICs will be looking to assert

http://www.dni.gov/ni/PDF_2025/2025_Global_Trends_Final_Report.pdf (20th February 2010)

4 Dominic Wilson and Anna Stupnytska, “The N-11: More Than an Acronym,” in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 131.
<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (12th February 2010).

themselves internationally. In order to assure some degree of co-operation between “old” powers of Europe and America on one side, and the “new” powers of the BRIC countries on the other, adapting existing international institutions or creating new ones where needed - as the G20 has shown – is likely to be the key.

This thesis will focus on the increasing clout of the BRICs in international relations following the developments of the past decade and the recent financial crisis. First, the BRICs as a whole will be discussed and the reasons for grouping the four countries together will be assessed. The problem of definition will also be dealt with in this part of the thesis and potential new BRICs examined, as it is essential to establish a framework of language and proper definitions in order to proceed to a useful analysis. In the second part of the thesis, each of the four BRICs will be examined in detail. Recent history, internal characteristics, and use of power, both regionally and internationally, will be taken into account when trying to see how each of the four countries stands economically, politically and militarily on the international scene. These factors will be discussed in a comparative perspective in order to better understand the differences and similarities between the countries and within the group as a whole.

In the third, and last, part of the thesis, the analysis from the second part will be used as a background for a discussion of the BRICs’ role on the international stage in the aftermath of the recent global financial crisis. A closer look will be taken at the implications of the financial crisis for the BRICs, first and foremost seen from the perspective of international relations although economic factors will inevitably be central to any discussion. The measures taken by the BRICs will be looked at in order to see how they have/will adapt to a changed international scene following the crisis. The increased activity of the BRICs in international institutions will be looked at as well, in order to see how the already existing structures of global politics are trying to integrate the BRICs in decision making and governance. Lastly, and drawing upon the aforementioned discussions, questions will be raised concerning the conditions for the BRICs’ ultimate success and what the future will hold for them.

Who are the BRICs and why?

As mentioned earlier, the BRIC group of countries consists of Brazil, Russia, India and China. But what is it that makes these countries stand out? The BRICs were first so defined by analysts in order to highlight the relations between the Group of 7 industrialized nations (G7) and larger emerging market economies. By grouping together the largest emerging markets in the world, it was possible to produce a clearer picture of contrasts and developments in the global economy. The term facilitated comparisons that would illustrate the relative growing importance of the emerging markets, and did much to help academics and policy-makers focus more on these countries.⁵ The countries were thus not grouped together based on any other similarities than economic potential. The influential Goldman Sachs report from 2003 set up a comprehensive forecast of the economic future of the BRICs. By using demographic projections, it was predicted that by 2050 the BRICs would account for over half the size of the economy, in terms of GDP, of the G6 (USA, UK, Germany, France, Italy and Japan) which would be a massive increase from the 15% they accounted for in 2003. In 2005, another report came out which argued that the developments predicted in previous reports were on course and that growth had been even stronger than expected. The BRICs therefore had the potential to achieve the targets set by previous reports at an earlier point than expected in the next few decades.⁶ The key assumption underlying these forecasts was that the BRICs would continue to create and maintain policies and institutions that promoted growth, which the authors of the report themselves admitted would be a challenge for the BRICs and could stand in the way of the predictions being met.⁷

While the BRICs were grouped together because of economic reasons in 2001, speculations have recently arisen as to the relevancy of the term today. When the BRICs were first discussed at the beginning of the decade, Brazil was widely considered not to

5 Prashanth N. Bharadwaj, "BRIC Countries – A Competitive Analysis," *Journal of Global Competitiveness* 14 (2006): 52.

6 Jim O'Neill et. al, "How Solid are the BRICs?," *Goldman Sachs Global Economic Paper* 134 (1st December 2005): 1, <http://www2.goldmansachs.com/ideas/brics/how-solid-doc.pdf> (12th February 2010).

7 Dominic Wilson and Roopa Purushothaman, "Dreaming With BRICs: The Path to 2050," *Goldman Sachs Global Economics Paper* 99 (October 1st 2003): 1-2, <http://www2.goldmansachs.com/ideas/brics/book/99-dreaming.pdf> (10th February 2010).

merit a place in the group as its economic growth was quite slow.⁸ Now at the end of the decade, questions have been raised as to why Russia is included in the group. Its economy has experienced slow growth and, perhaps, an over-reliance on oil and gas exports. Economic factors aside, it has been argued that Russia can hardly be described as an “emerging power” as that term implies a country that has experienced a recent spurt in growth and is showing new willingness to assert itself internationally. Russia, however, is better categorized as a country that has, not so long ago, experienced a dramatic decline in landmass and comparative strategic power, and is in a position where it is trying to reverse the trend of recent decades.⁹ It has also been pointed out that the economic performance of the BRICs has been quite dissimilar in the past decade, and this directly undermines the foundations of a term originally based on the thesis that the BRICs are relatively uniform in their economic development. Compared to the world growth rate of 3.3% in the years 2000-2006, the BRICs differ widely in their own growth. While three of four countries experienced significant above average growth, Brazil stood out by experiencing a meagre 3.1% growth rate over the period. In addition to this, the BRIC economies' degree of integration in the global economy, as measured by a trade/GDP ratio in 2005, differs as China and Russia - with 48% and 64% respectively - appear to be highly integrated compared to Brazil and India with 25% and 29% respectively.¹⁰ This criticism of the BRICs as a category is influential as it discredits the term as a useful tool, and makes a point that the term simply “caught on” in the financial world and among investors following the popular Goldman Sachs reports of 2001 and 2003.

Taking into account the different economic performance of the BRIC countries and the strong economic growth of other emerging countries, it is interesting to ponder whether the changed dynamics of the global economic and political scene will enable other countries to be included in the BRICs or if – alternatively - the BRICs should cease to be grouped together at all. The aforementioned Goldman Sachs report from

8 “Brazil takes off,” *The Economist*, 12th November 2009,

http://www.economist.com/opinion/displaystory.cfm?story_id=14845197 (18th February 2010).

9 S. Neil MacFarlane, “The R in BRICs: is Russia an emerging power?,” *International Affairs* 82 (January 2006) 43

10 Leslie Elliott Armijo, “The BRICS Countries (Brazil, Russia, India and China) as Analytical Category: Mirage or Insight?,” *Asian Perspective* 31 (2007): 7-10

2005, which underlined the strong economic growth of the BRICs, also introduced potential new BRICs by defining a further group, the Next 11, of emerging countries. Two of these countries, Mexico and South Korea, are, according to the report, the only ones capable of having the same potential as the current BRICs, but they have not been included in any such definition due to the perception that they are already probably more advanced economically than the BRICs. Others, such as Nigeria and Indonesia, are considered to have potential but still lack the stability to be included. It is, perhaps, only when considering other candidates that it is possible to see what it is that truly sets the BRICs apart from other emerging countries. According to Goldman Sachs, “What makes the BRICs special is that they have the scale and the trajectory to challenge the major economies in terms of influence on the world economy.” In other words, the sheer size, of both population and resources, is what has so far set the BRICs apart. Although other countries, such as the N11, probably have the potential and capacity to become significant economic powers in the future, none of them is considered able to attain the enormous scale that characterizes the BRICs.¹¹ The size of the BRICs may, also, be what explains the popularity of the term in the United States and Europe as the BRICs are a group of potential, non-traditional and non-European, ‘major powers’ that may relatively easily be integrated into traditional understandings of the world ‘balance of power’ and its possible development.¹² With this in mind, the use of the term BRIC seems, arguably, justified, as the countries - while different on most areas - have in common a large economic potential and consequent strategic ‘weight’ largely unmatched by other emerging countries.

Now that the BRICs have been defined and the reasons why they should, or should not, be categorized as a separate group have been explored, it is possible to move on to a more in-depth analysis of each of the four countries. After a statistical table presented to facilitate comparisons, the first up is Brazil.

11 Jim O’Neill et. al, “How Solid are the BRICs?,” *Goldman Sachs Global Economic Paper* 134 (1st December 2005): 7, <http://www2.goldmansachs.com/ideas/brics/how-solid-doc.pdf> (12th February 2010).

12 Leslie Elliott Armijo, “The BRICS Countries (Brazil, Russia, India and China) as Analytical Category: Mirage or Insight?,” *Asian Perspective* 31 (2007): 16

Part II: Analysis

Table 1: Statistical Comparison of the BRICs

	Brazil	Russia	India	China
Population (millions)	192,00	141,80	1.140,00	1.325,60
Population growth (annual %)	1,00	-0,20	1,30	0,60
Surface area (sq. km) (thousands)	8.514,90	17.098,20	3.287,30	9.598,10
GDP (billions, US\$)	1.612,50	1.607,80	1.217,50	4.326,20
GNI per capita (US\$)	7.350,00	9.620,00	1.070,00	2.940,00
Military spending (In constant (2005) US\$ millions) (2007)	14737	33821	23.535,00	57.861,00
Military spending as % of GDP (2007)	1,50	3,50	2,50	2,00
Human Development Index rank	75 th	71 st	134 th	92 nd

Source: World Bank, UN and SIPRI

Brazil

Recent history

Emerging from decades of military rule in the 1980's, Brazil experienced severe economic and political difficulties in its transition to democracy. Facing problems of hyperinflation and the difficult task of subduing the military under civilian rule, it was not until the 1990s that some degree of political and economic stability was achieved. During the presidency of Fernando Henrique Cardoso (1995-2002) steps were taken to

restore Brazil's international credibility and to strengthen the country's democratic institutions. Cardoso, who had also been minister of treasury under former president Itamar Franco (1992-1994), managed to curb inflation by introducing a new currency, the Real, and provide political stability, while spending much of his presidency abroad on diplomatic missions. In 2003, current president Luiz Inácio da Silva, or Lula, was elected. He is the first president to represent the left-leaning Workers Party (PT) and also the first president to have been raised in poverty.¹³ Brazil has achieved slow but steady economic growth under his rule, and Lula has been credited with sensibly maintaining the reforms initiated by his predecessor while adding a few of his own.¹⁴

Economy

Being included in the illustrious group of BRIC countries, one would assume that Brazil's economic performance over the past decade would be characterized by high growth rates and massive optimism. The reality is, however, quite different. In truth, many have doubted whether Brazil should be a BRIC at all considering its paltry economic growth rate. The annual average growth rate in the years 2000-2006 was only 3,1%, below the global average and significantly lower than the rates achieved by the other BRICs. Even Goldman Sachs researcher, Paulo Leme, admits that Brazil has underperformed both relative to the initial expectations of Goldman Sachs, but also relative to the other BRICs.¹⁵ There are, however, other factors to be taken into account on this issue. Brazil's "China moment" was the post-World War Two period as the annual growth average between the mid-1940's and the mid-1970's was 7,4%, and in the years 1968-1973 Brazil had a remarkable annual growth rate of 10,6%. Although economic growth has been comparatively low since then, it is unfair to compare the growth rate of the less developed BRICs with nations that, like Brazil, acquired an industrialised economy already in the 1970's and 80's.¹⁶ This can also be seen by the

13 Paulo Sotero and Leslie Elliott Armijo, "Brazil: To be or not to be a BRIC?," *Asian Perspective* 31 (2007): 52-55.

14 "Two Americas," *The Economist*, 12th November 2009, http://www.economist.com/specialreports/displaystory.cfm?story_id=14829493 (20th February 2010)

15 Paulo Leme, "The 'B' in BRICs: Unlocking Brazil's Growth Potential," in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 75. <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (12th February 2010).

16 Paulo Sotero and Leslie Elliott Armijo, "Brazil: To be or not to be a BRIC?," *Asian Perspective* 31

percentage of GDP (Gross Domestic Product) produced by different sectors in Brazil, where the share of agriculture is only 7%, Industry at 28% and services at 65%. Compared with other BRICs, such as China and India, Brazil has a modern economy which is reflected in the large share that services have in the economy and the relatively low share of agriculture.¹⁷

The real reason for Brazil's recent under-performance, Paulo Leme of Goldman Sachs contends, is multi-faceted. Most important, perhaps, is that the Lula administration has, in recent years, focused on implementing a stabilisation programme in order to achieve macroeconomic stability. While not producing spectacular growth themselves, these policies have laid the foundation for long-term economic growth by prepaying external debt and keeping inflation at a minimum. Because of this, macroeconomic conditions are better now than they have been for a long time. With this in mind, Paulo Leme predicts that Brazil will be able to achieve a growth rate of about 3,5% and could even manage growth rates of about 5% if certain economic reforms are implemented, such as further openness to trade and investment.¹⁸ These estimates correlate well with World Bank projections, putting Brazil's annual growth average at 3,7% for the years 2007-2011.¹⁹ Brazil's economy is still relatively closed, with trade only making up 24% of GDP in 2008. Its prospects are, however, heavily linked with global commodity prices²⁰, and if the course is set for economic growth, involving increased trade, then Brazil can expect to be more heavily integrated into the global economy in the future.

Brazil's international and regional clout

Situated in South America, Brazil has, in recent times, not had any natural enemies on its borders. The absence of a direct security threat has meant that Brazilian foreign

(2007): 46-47

17 World Development Indicators, *World Bank*, <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135> (12th February 2010).

18 Paulo Leme, "The 'B' in BRICs: Unlocking Brazil's Growth Potential," in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 75. <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (12th February 2010).

19 Brazil at a glance, *World Bank*, http://devdata.worldbank.org/AAG/bra_aag.pdf (15th February 2010).

20 "Two Americas," *The Economist*, 12th November 2009, http://www.economist.com/specialreports/displaystory.cfm?story_id=14829493 (20th February 2010)

policy has mostly been characterized by trade policy and “soft power”. The emphasis of Brazilian presidents has usually been, first and foremost, centred on the relations with their immediate neighbours in South America. Integral to these policies and co-operation is MERCOSUL (MERCOSUR in Spanish-speaking countries), a regional common market initiative, formalized in 1991, originally consisting of Brazil, Argentina, Uruguay and Paraguay. The initiative proved successful by helping to maintain political and economic stability in the region, and has expanded its operations since then. Former president Cardoso oversaw the expansion of MERCOSUL as all South American countries became either full members (Venezuela) or associate members (Bolivia, Chile, Colombia, Ecuador and Peru). Cardoso's aim was to promote a consensus-style of leadership in South America, discreetly promoting policies that suited Brazilian interests. He also sought international co-operation by making his country a full member of the World Trade Organization, WTO. His successor, Lula, has proceeded with many of the same policies, albeit in a different style. Shortly after his election, Lula said that Brazil was ready to assume its greatness on the world stage and become the natural leader of the region.²¹ These grand words symbolize how Lula's Brazil has sought to dominate the region in a more direct way than before. These ambitions have, however, not gone unrivalled, as Hugo Chávez, President of Venezuela, a member of the MERCOSUL after being invited to join by Brazil in 2006, has often challenged the notion of Brazil's important position on the continent. By offering a distinctly different approach as to how South America's interests are best served, Chávez's Venezuela, with its statist approach and anti-western stance, provides a stern challenge to Brazil's western-friendly institutional approach.²²

In addition to the problem posed by Venezuela, the USA has always favoured its own initiatives when it comes to regional co-operation. With the NAFTA (North American Free Trade Agreement) already in place, ensuring free trade between the US, Canada and Mexico, the US was keen to initiate its own organization for co-operation in the Americas. A project called FTAA (Free Trade Area of the Americas) was intended to

21 Paulo Sotero and Leslie Elliott Armijo, “Brazil: To be or not to be a BRIC?,” *Asian Perspective* 31 (2007): 55-57.

22 Sean W. Burges, “Building a Global Southern Coalition: the competing approaches of Brazil's Lula and Venezuela's Chávez,” *Third World Quarterly* 28 (2007): 1343-1345.

replace the MERCOSUL but the attempt proved to be unsuccessful and was eventually put on hold by former president George W. Bush in 2007. Instead, the US began making bilateral trade agreements with several South American states (It had only had such an agreement before with Chile) in order to increase trade. Underlying this conflict of institutions was a fundamental disagreement on trade. The US, with its advanced economy and heavy agricultural subsidies, did not share the same interests as Brazil, which relies partly on a highly competitive agricultural sector. This conflict is also very much apparent in the seemingly ever-lasting ‘Doha round’ of trade talks under the WTO. Most recently, Brazil has become an integral part of the G20, a group which was widened out from the G8 to include China and more Southern-hemisphere countries, such as Brazil's neighbour Argentina, in order, in the immediate term, to deal with issues thrown up by the worldwide financial crash and recession. There are already signs that as the G20 establishes itself it will address a wider range of economic and trade issues, and calls have already been made there (for instance) for the abolition of agricultural subsidies in rich countries.²³

When discussing Brazil's influence, it must be reiterated that its power is mainly exerted through “soft” power. Soft power does not result from the possession of superior military or economic resources, but the ability to persuade others to do what you want. It is cultural, ideological and normative, and can be exerted through participation in international institutions.²⁴ In terms of military strength, Brazil is relatively weak compared to the other BRICs. In 2007, Brazil spent 15.477 million US dollars on the military which comes to a 1,5% of GDP. This is considerably less, both in relative and absolute terms, than any of the other BRIC countries. However, compared to its neighbours, the South American countries, Brazil easily dominates the military scene. Its closest competitor in terms of military spending on the regional scene is Colombia, which spends less than half the amount that Brazil does and expends most of its efforts on internal conflict.²⁵ Brazil also contributes a significant number of personnel to UN peacekeeping missions (1344) which is more than Russia (365) but a lot less than

23 Paulo Sotero and Leslie Elliott Armijo, “Brazil: To be or not to be a BRIC?,” *Asian Perspective* 31 (2007): 52-56.

24 Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York, NY: Public Affairs, 2004), 5-15.

25 Military Spending Database, *SIPRI*, <http://milexdata.sipri.org/> (20th February 2010).

China and India (2136 and 8757 respectively).²⁶ It can be said that Brazil has no need for a larger military as it has no territorial ambitions, and whatever objectives its foreign policy may have, they can be achieved through diplomatic means. After the re-democratization process that took place in Brazil and Argentina, as indeed in other parts of the continent as well, in the 1980s, the two countries scrapped their WMD development programmes, which had been initiated by the previous military junta regimes, and decided to adhere to international treaties. This process did much to ensure stability and a decrease in military spending on the continent.

Brazil's soft power is more difficult to measure as there are no direct spending figures to be examined. Rather, it can be said that Brazil's increased presence in international and regional institutions, and its participation in UN peacekeeping missions, illustrate its willingness to exert its influence. The roots of this power can be found in the re-democratization process that took place in the 1980s in Brazil, as subsequent presidents gained more confidence to act on the international scene. By having a stable democracy with strong institutions Brazil is able to act confidently and influentially in international relations. According to the Economist Intelligence Unit's Democracy Index, Brazil is ranked as the 44th most democratic country in the world. The only BRIC that is higher placed is India, in 35th place, while Russia and China have significantly lower rankings, 107th and 136th respectively.²⁷ Brazil also scores higher than all but one of the other BRICs in the UN's Human Development Index (HDI), and is ranked at 75th place (Russia 71st, China 92nd, India 134th)²⁸. Lastly, an interesting aspect of soft power that will become more apparent in the coming years relates to environmental power. Brazil's government has to a large extent been able to stop and reverse the deforestation that characterized the environmental policy of previous decades. In addition to having vast rain forests with immense diversity of life, Brazil receives only about 10% of its energy from fossil fuels while 87% of its energy comes from hydro-power.²⁹ With a global climate regime being a hot topic for

26 UN Statistics, *UN*. <http://www.un.org/en/peacekeeping/> (20th February 2010)

27 Index of Democracy 2008, *Economist Intelligence Unit*.

28 UN HDI Rankings 2007, *UN*. <http://hdr.undp.org/en/statistics/>

29 *The Little Green Data Book 2009*, ed. World Bank (Washington D.C.: World Bank, 2009), <http://siteresources.worldbank.org/INTEEI/936214-1146251511077/22180399/LGDB2009.pdf> (15th February 2010).

discussion, it can be assumed that Brazil will play a leading role due to its experience and expertise on environmentalism. Since the 1970s, Brazil has developed a large biofuel industry which centres around the production of ethanol from sugar cane. While the programme was initially heavily state-subsidized, the industry today replaces approximately 40% of the gasoline that would otherwise be consumed by delivering a highly competitive product.³⁰ Much of Brazil's ethanol is exported, most notably to the EU and the US, but has been the subject of some controversy as the US has imposed tariffs on Brazilian ethanol in order to encourage its own ethanol industry. While being generally considered as an environmentally friendly way of producing fuel, ethanol production has come under criticism for being land-intensive and having negative environmental side-effects.³¹

To sum up, Brazil is a country that has been able to establish a stable democracy in the past 25 years. Its economy currently has a significantly lower growth rate than the other BRICs, but the explanation is that it is already more advanced than most BRICs, and has recently undergone a period of macroeconomic stabilization. It can expect to achieve higher growth rates in the years to come as sound economic policies yield their benefits. Brazil's power in international relations consists mainly of “soft” power, and derives from the country's strong position as a democratic state intent on exerting influence through regional and international institutions, as well as its strong environmental profile which will become more important as the global battle against climate change continues.

Russia

Recent history

As mentioned earlier, Russia can hardly be described as an emerging power. Following the fall of the Soviet Union in the early 1990s, Russia experienced a tumultuous

30 José Goldemberg, “The Brazilian biofuels industry,” *Biotechnology for Biofuels*, 1 (May 2008) <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2405774/> (15th February 2010)

31 “Ethanol Tanks,” *The Economist*, 22nd October 2009, http://www.economist.com/world/international/displaystory.cfm?story_id=E1_TQSTDQJ (20th February 2010)

transition, which can, arguably, be described as a decline relative to the Soviet Union's former status as a superpower. The new Russian Federation was greatly reduced in land-area and population, even if it inherited all the USSR's nuclear forces, institutional positions and international legal obligations. During the presidency of Boris Yeltsin (1991-1999) Russia went from being a heavily centralized country with a plan economy to having a free market economy and a new constitution that set up a strong presidential system. These changes have often been labelled a "shock"-treatment to Russia's economy which saw it undergo immense changes in a short period of time. This liberalization created an economic vacuum that enabled a small number of people to build up great wealth. This group of tycoons is often called "oligarchs" and have had a significant impact on both the economic and political sphere in Russia since the 1990's.³² Facing elections in 1996, Boris Yeltsin seemed unlikely to get re-elected, with the opposition Communist party jousting for power. Yeltsin could, however, count on help from the oligarchs. Following a government programme in late 1995 which allowed businessmen to acquire shares in large state-owned companies in return for loans to the federal budget, Yeltsin was able to muster support from the oligarchs who, to a large extent, financed his election campaign the following year. Yeltsin won the election. The oligarchs have had an impact on Russian politics ever since.

Prior to his resignation from office in 1999, Yeltsin eventually named Vladimir Putin as his successor. Putin's focus, in the beginning, was to strengthen and stabilize both the state and the economy, correcting many of the flaws that the erratic leadership of his predecessor had brought. Putin's time in office has, however, not done much to strengthen democracy in Russia.³³ His term as president came to an end in 2008, when he assumed the position as Prime Minister, with the dubious election of his successor, Dimitriy Medvedev, who has come under suspicion of simply exerting Putin's will. During his tenure, Putin, who is a former KGB official, relied on security and military elites to consolidate power while trying to control and exploit the oligarchs, a trend that is analogous to the old Soviet methods although Putin has pursued it in the name of

32 Sergei Guriev and Andrei Rachinsky, "The Role of Oligarchs in Russian Capitalism," *Journal of Economic Perspectives* 19 (2005): 131.

33 Alex Pravda, "Introduction: Putin in Perspective," in *Leading Russia: Putin in Perspective*, ed. Alex Pravda (Oxford: Oxford University Press, 2005) 23.

national strength rather than ideology. Now serving as PM, Putin is widely thought to be holding the strings in the Kremlin and is tipped to continue to dominate the Russian political scene either by seeking re-election, or by maintaining influence in the background.

Economy

Russia's economy is, perhaps, the BRIC economy that relies most heavily on one sector: the oil and gas industry. In 2009, Russia became the world's largest exporter of both oil and natural gas which make up about 20-25% of GDP.³⁴ Mainly due to its massive oil and gas reserves, Russia was able to sustain an average annual economic growth of 6,8% between 2000 and 2007.³⁵ This economic growth enabled income levels to rise and a new middle class began emerging. Russia's heavy reliance on the commodity prices of oil and gas came at a significant cost, however, which became painfully evident in the financial crisis of 2008 and 2009. As oil prices plummeted from about 140\$ per barrel to about 35\$ per barrel before stabilizing at about 70\$³⁶, Russia saw its oil revenues decrease drastically, contributing to the estimated decrease in GDP of 8,5% in 2009.³⁷ In early 2009, the Russian stock market had lost about 80% of its value and the rouble had fallen by a third. Moscow responded by spending as much as a third of Russia's foreign currency reserve, which were estimated at about US \$600 billion before the crisis, to slow the fall of the rouble and stabilize the economy.³⁸

Being the only BRIC that has experienced a fall in GDP in the financial crisis, Russia will have to show that it is able to bounce back. The economy began to show signs of recovery in mid-2009 and the IMF predicts that GDP will grow by 3,6% in 2010. The crisis goes to show, however, that when oil and gas prices fall, the Russian

34 US Energy and Information Administration Statistics, *EIA*.

<http://www.eia.doe.gov/cabs/Russia/Background.html> (1st March 2010).

35 Rory MacFarquhar, "Russia: A Smooth Political Transition," in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 29.

<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (3rd March 2010).

36 Oil Prices, *EIA*, <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WTOTWORLD&f=W> (3rd March 2010).

37 CIA World Fact Book, *CIA*. <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html> (3rd March 2010).

38 Andrew C. Kuchins, "Europe and Russia: Up from the Abyss?," *Current History* 108 (2009) 138.

economy suffers and this will be one of the biggest challenges facing Russia's leaders. Both Putin and current president Medvedev have publicly acknowledged the weakness of the Russian economy in that it is over-reliant on oil and gas revenues. Despite their overt intention to diversify the economy, their initiatives remain unsuccessful. The need to diversify, while not urgent in good times, will become more apparent in the next years as oil prices are expected to remain at lower levels than they have been in a long time. Russia's Finance Minister, Alexei Kudrin, said recently that oil prices may not go much over \$70 per barrel in the next decade which will see the share of oil and natural gas in Russian GDP decrease to about 14%.³⁹ If Russia is to be called a BRIC with justification in the near future it will need to find a way to strengthen other sectors of its economy so that it can cope with falls in oil and gas prices as it is, by far, the BRIC that has performed the worst in the financial crisis. This seems to be a big challenge for Russia as it has struggled to ensure foreign investment. With the Russian economic and legal systems being infamous for lawlessness and corruption, investments in Russia have been perceived as a poor prospect as property rights are not properly entrenched compared with most other countries, and certainly with the other BRICs. Another factor which is unlikely to do much to help Russia's prospects economically is its hesitation to join the WTO. On its own, Russia had worked with the West to eliminate many obstacles to joining the organization; but it has more recently refused to do so declaring, in a somewhat bizarre move, that it would only join along with Belarus and Kazakhstan, which are unlikely to be able to join for quite some time. Russia's internal fragility when it comes to legal frameworks and its insistence on maintaining strong links with many former Soviet countries, which mostly weakens its own position, will be obstacles that it will have to deal with if its economy is to live up to the standards of the other BRICs.

Russia; internal, regional and international issues

Russia's international relations are complex and of a very different nature to that of Brazil. Being the geographically largest country on the planet, stretching over two

³⁹ Paul Abelsky and Anna Ulaeva, "Russia Sees Oil, Gas Share of GDP Falling to 14%," *Bloomberg.com*, 22nd January 2010, http://www.bloomberg.com/apps/news?pid=20601095&sid=aCfUrLO_vSjc (3rd March 2010).

continents, Russia has many neighbours and a legacy of influence inherited from the former Soviet Union. Seen as the natural successor state of the Soviet Union, Russia assumed its permanent seat on the UN Security Council. That is not to say, however, that Russia today could be regarded as a superpower in any capacity. Being a shadow of its former self, Russia suffered a deep economic depression during the 1990s. The government's attempts to stabilize the economy and bring inflation under control were undermined by their tendency of erratic behaviour and internal conflicts. In order to provide funds, the government began what nearly became a wholesale privatization of the economy in the mid-1990s which, in turn, led to the rise of the oligarchs, the newly rich owners of former state enterprises. There were, thus, many issues facing the new president, Putin, when he came to power in 2000. The oligarchs had gained political influence under the Yeltsin administration and wished to continue to have a say on policy matters. Putin wished to promote the power of the state and, therefore, fended off any challenges from the oligarchs, most notably when he successfully squelched the attempt of oligarch Mikhail Khodorkovsky to pose a challenge to state authority. The outcome of this conflict led to an informal agreement that required oligarchs to stay out of politics in return for being allowed to keep the property they seized during the privatization in the 1990s.⁴⁰ It can be said that Putin managed to restore stability and centralise power within the state which he used to initiate badly need reforms and establish a framework for politics.

On the regional level, Russia has been very active in the past decade. Differently from Brazil, Russia has not been in a situation where it has been able to exert “soft” power. Due to limitations in the attractiveness of its identity and ideological agenda, which is mainly caused by a lack of shared domestic consensus on values and identity as well as its vulnerability to criticism about its poor human rights record and authoritarian governance, Russia has leaned towards a more traditional view of international relations which relies on the sovereignty and rights of states and which uses military capabilities and economic resources for leverage very much in ‘realist’

40 Rory MacFarquhar, “Russia: A Smooth Political Transition,” in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 31-34.
<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (3rd March 2010).

style.⁴¹ In the 2000s, Russia has been involved in a number of conflicts with its neighbours. The conflicts have varied from traditional military conflicts, e.g. the civil war in Chechnya and the South Ossetia war of 2008, to cyber wars, e.g. the cyber attacks on Estonia in 2007 and on Georgia in 2008 in connection with the South Ossetia war, to conflicts where Russia has used its leverage in energy exports to achieve its goals, e.g. in the repeated threats and cut-offs of Russian oil and gas by the partly state-owned Gazprom in the mid-2000s to Ukraine. All these conflicts involve direct and unilateral measures that are exerted in order to protect Russia's interests and its grip over at least the more strategically sensitive parts of its former Soviet empire. Having overseen a modernization of the military and an increase in military spending (Russia now spends \$38.238 million, 3,5% of GDP on the military)⁴², presidents Putin and Medvedev clearly view the military as an essential part of pursuing their foreign policy objectives.

Throughout most of the 1990s, Russia had its hands full in maintaining its internal sovereignty, illustrated by the Chechnyan civil wars (1994-96 and 1999-2005) which highlighted the terrible state of the Russian military. Russia's relations with its neighbours and other nations were erratic as there was no coherent foreign policy pursued by the Yeltsin administration, while the frameworks set up for continuing cooperation between former Soviet republics – notably the Commonwealth of Independent States – soon proved weak in face of other states' resistance and Russia's own divide-and-rule tactics .

Putin's foreign policy objectives, as well as his domestic ones, were characterized by restoring order and the power of the state. Although his style is often referred to as 'assertive', it was still different from the other BRICS in that he was not managing a rising curve of power but rather seeking to reclaim some of Russia's losses and secure it a more tolerable place in the new world order.⁴³ While initially recognizing the USA as the world's only "superpower", Putin set the course for Russia's foreign policy in 2000

41 S. Neil MacFarlane, "The R in BRICs: is Russia an emerging power?," *International Affairs* 82 (January 2006) 42-43.

42 Military Spending Database, *SIPRI*, <http://milexdata.sipri.org/> (5th March 2010).

43 S. Neil MacFarlane, "The R in BRICs: is Russia an emerging power?," *International Affairs* 82 (January 2006) 47-48.

by declaring that Russia would seek a multi-polar system of international relations.⁴⁴ This policy goes hand in hand with Russia's status as a BRIC and it has embraced the BRIC group as of late as an alternative to more traditional groups, such as the G8, by hosting the first official BRIC summit in the city of Yekaterinburg in the summer of 2008. It is likely that Russia will do its part to strengthen the co-operation between the BRICs in the future as it sees its interests better served in a world where the BRICs have an increased say on global affairs. Further, as the rising power of China is ultimately an even more disturbing strategic challenge for Russia than the expansion of western institutions in Europe, the BRICS framework offers another way – alongside the Shanghai Cooperation Organization – for Moscow to monitor and ‘manage’ its mighty neighbour’s growth in a peaceful and predictable framework.

India

Recent history

After several decades of low growth and inward-looking state-interventionist policies, India entered the 1990s with a nearly bankrupt state that had to be bailed out by the IMF. Following India's crisis, the government, headed by V. Narasimha Rao and with Manmohan Singh as finance minister, initiated a wide range of economic liberalization policies which set off a period of high economic growth that is still ongoing today.⁴⁵ Despite successful economic reforms, India has witnessed tumultuous periods in the last two decades. Conflicts between Hindus and Muslims dominated the scene in the 1990s with bursts of communal violence. In 1999, India was involved in an armed conflict with its neighbour Pakistan in what has been called the Kargil War. This conflict was characterized by, in addition to territorial disputes in the Kashmir province, terrorism as several Indian cities suffered from terrorist attacks in connection with the conflict. The 2000s have, however, proved to be more peaceful as India has maintained political

44 “The Foreign Policy Concept of the Russian Federation,” *FAS.org*.

<http://www.fas.org/nuke/guide/russia/doctrine/econcept.htm> (16th February 2010).

45 Tushar Poddar and Eva Yi, “India's Rising Growth Potential,” in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 11.

<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (3rd March 2010).

stability which, in turn, has contributed to the rapid economic growth that has come to define the country in recent years. Manmohan Singh was elected prime minister in 2004 and his recent re-election signalled a vote of confidence in his policies, which while cautious have enabled a strong economic growth widely benefiting the India people.

Economy

India has experienced economic growth of more than 5% since the early 1990s and managed an astonishing 9,7% average annual growth of GDP in 2006 and 9% in 2007. Predictions for the next few years vary: the IMF estimates that GDP growth will be about 7,7% in the coming years while the World Bank puts it at 8,5%⁴⁶, but it is clear that India is not showing any signs of slowing down. According to Goldman Sachs reports, India's economy is currently roughly about the same size as those of Brazil and Russia. It does, however, have immense potential as Goldman Sachs predicts that India can grow at an annual average rate of 8% until 2020. These predictions are more optimistic than previous reports indicated and if everything goes as planned, India's economy will be bigger than the US economy in 2050. The lofty estimates are, however, subject to a number of reservations which Goldman Sachs consider to be important to overcome in order to maintain future economic growth. The desiderata include various reforms, such as trade liberalization, improving education, increasing agricultural output and improving infrastructure.⁴⁷ India's newly re-elected Prime Minister, Manmohan Singh, is now in a position where he can effectively push through desired reforms as his Congress Party won a decisive victory in the 2009 elections, freeing them from the need to compromise with socialist coalition partners as in the previous term.⁴⁸ It is, therefore, expected – and probably rightly so - that in the coming years India will pursue market-friendly reforms with renewed enthusiasm. India's economic growth has had the biggest

46 IMF and World Bank Statistics, *IMF and World Bank*, <http://www.imf.org/external/country/IND/index.htm> and <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135> (16th February 2010).

47 Jim O'Neill and Tushar Poddar, "Ten Things for India to Achieve its 2050 Potential," *Goldman Sachs Global Economic Paper* 169 (16th June, 2008): 3-5. <http://www2.goldmansachs.com/ideas/brics/how-solid-doc.pdf> (23rd February 2010).

48 "Singh when you're winning," *The Economist*, 21st May 2009, http://www.economist.com/displaystory.cfm?story_id=E1_TPGJNJVV (23rd February 2010).

impact on the service sector, where the country's expanding IT industry has flourished. According to a recent report, IT accounts for 35% of India's exports. The industry's total revenue has grown rapidly from 3,3 billion in 1998, to a massive 87 billion in 2008. Being the area where India has been most successful in competing globally it is likely that the IT sector will be instrumental for India's future economic growth.⁴⁹

What will be, perhaps, a greater challenge is to ensure that economic growth favours the population as a whole and not just the wealthy few. Compared with the other BRICs, India outperforms them in the GINI-coefficient index, an index widely used to measure income dispersion within countries and is, arguably, a decent measurement tool for equality. With the most recent scores being from the middle of the 2000s, India had a rating of 36,8, while China, Russia and Brazil had 41,5, 42,3 and 56,7 respectively. Overall, India, the BRIC with the least unequal income dispersion, is placed at number 79 in the world.⁵⁰ This goes to show that inequality is an area where the BRICs could do better, and that India's strong socialist tradition has, perhaps, helped to ensure that its economic growth has helped more people than has been the case in the other BRICs. With poverty still being a dominating aspect of Indian society - according to the UN 41,6% of India's population lived below the one dollar a day (PPP) poverty line in 2005 - India's economic growth is immensely important for the country's development and poverty reduction.

India on the international stage

India's regional situation is complex as its borders stretch all the way from Myanmar in the East to Pakistan in the West. India and Pakistan have had a history of conflict ever since they were formed as separate states with the ending of British rule in 1947. A further bloody war led to the breakaway of what is now Bangladesh from Pakistan in 1971. India's conflicts with Pakistan are potentially serious because of both sides' possession of nuclear weapons since the 1990s, and have traditionally centred mostly on

49 "India's Information Technology Industry," *Embassy of India, Washington D.C.*, http://www.indianembassy.org/indiainfo/india_it.htm (23rd February 2010).

50 CIA World Factbook, *CIA*, <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html> (23rd February 2010).

the Kashmir and Jammu regions in the north. The last major conflict in this area was the Kargil war of 1999, where a Pakistani offensive, which sought to foment public unrest in order to achieve its objectives, failed mainly because Pakistani-sponsored terrorism and militancy alienated the people of those provinces. Today, the situation is different, as Pakistan has recently experienced a period of unrest involving a change in government and a vicious conflict with militants in its tribal regions. While major terrorist attacks have still occurred against India - most notably the recent bombing of a Mumbai hotel - the Indian and Pakistani governments have avoided the urge to escalate and can claim to some extent to be fighting a common terrorist enemy in Afghanistan and on Pakistan's borders.⁵¹ The Afghanistan connection has also led the US and other engaged Western powers to work harder in recent years for cooperation with both Pakistan and India and for peace in their mutual relations. Also, the end (at least for now) of civil war in Sri Lanka has removed another potentially destabilizing factor as there had earlier been concerns about India intervening there to protect its Tamil brethren. Finally, the Maoist insurgency, performed by a group known as the Naxalites, in India's eastern states is a major security issue which claimed 998 lives in 2009 and has to be tackled with strength in order to prevent further violence and instability.⁵²

What adds a whole other dimension to India's foreign policy is the issue of nuclear weapons. India's nuclear stockpile has historically mainly served as a deterrent towards Pakistan, which also has nuclear weapons. There is some debate as to the usefulness of India having nuclear capabilities, Bharat Karnad, an Indian strategic thinker, contends that India should maintain her nuclear arsenal in order to provide a counterweight to China and pariah nuclear states such as North Korea⁵³, while the Indian Foreign Secretary, Shivshankar Menon, has indicated that India would welcome nuclear disarmament, or at least a halt in production of nuclear weapons, in co-operation with its nuclear neighbours, Pakistan and China.⁵⁴ What is clear, however, is that the issue of nuclear weapons will be an important aspect of Indian security in the years to

51 Shivshankar Menon, "Hostile Relations: India's Pakistan Dilemma," *Harvard International Review* (Fall 2009): 14-16.

52 "Ending the red terror," *The Economist*, 25th February 2010, http://www.economist.com/opinion/displaystory.cfm?story_id=15579946 (10th March 2010).

53 Benjamin P. Greene, review of *India's Nuclear Policy* by Bharat Karnad, *The Journal of Military History* 73 (July 2009): 1015-1016.

54 Daryl G. Kimball, "Toward a Nuclear Freeze in South Asia," *Arms Control Today* 39 (2009): 3.

come, with India's leaders, perhaps, standing at a crossroads.

India's last regional issue that will be discussed here is the relationship it has with Myanmar. In 1993, the Indian government adopted a new policy towards Myanmar known as the “velvet policy” which has shaped relations between the two countries ever since. The policy is characterized by a cautious approach which contrasts to India's former policy of condemnation of Myanmar's authoritarian regime. The “velvet policy” was adopted to pursue India's objectives in the region which included increasing trade and establishing influence, and was in accordance with India's general “Look East Policy” of the 1990's where it emphasized developing stronger ties with its neighbours to the east. India's stance towards Myanmar has been much criticized, however, both due to the limited results of the “velvet policy” and also due to its willingness to ignore Myanmar's authoritarian ways and scant regard for human rights.⁵⁵

On the international stage, India's behaviour has, at times, been puzzling in the past decade. While being a wholehearted participant in international endeavours such as UN peacekeeping missions, where it contributes more personnel than any other BRIC, it has a habit of saying No when participating in international talks. India's erratic behaviour includes both holding back from existing treaties – eg India has reversed its support for the Non-Proliferation Treaty since its own nuclear break-out - and being reluctant to accept new treaties (the 2008 Doha round of trade talks broke down mainly due to India's intransigence)⁵⁶, all of which may go far to explain why its wish to gain a seat on the UN security council has remained unfulfilled. This might yet change, as a reorganization of major international institutions has been much discussed following the recent global financial crisis, and India has already gained a place in the G20.

Being a credible democratic state, India has been able to pursue its foreign policy objectives in several ways and perhaps most importantly has aligned itself, along with Brazil, as friendly towards the US: a relationship most notably symbolized by the recent bilateral nuclear co-operation treaty of 2008.⁵⁷ Thus, even if India's role in the international system is difficult to read at present, the outlook indicates that India will

55 Renaud Egretau, “India's Ambitions in Burma,” *Asian Survey* 48 (2008): 936-937.

56 Barbara Crossette, “The Elephant in the Room,” *Foreign Policy* 177 (2010): 29-30.

57 “Congress Approves Nuclear Cooperation Agreement with India,” *The American Journal of International Law* 103 (2009): 163-164.

try to establish itself further as a stable and credible partner as it seeks to expand its influence and get a bigger say in the policy-making process of important international institutions.

China

Recent history

Following Mao Zedong's death in 1976 and the instatement of Deng Xiaoping as leader of China's Communist Party in 1978, China was put on a course of economic reforms which triggered rapid economic growth that is still very much going on today. Averaging an annual GDP growth rate of 9,6% from 1978 to 2004⁵⁸, China has become an economic powerhouse. Politically, China has faced several challenges over the past few decades. Most notable is the Tian'anmen Square uprising of 1989 where the Chinese government resorted to military power to quell the resistance, losing much of its international reputation in the process. Following the protest, Deng Xiaoping withdrew from the public domain but remained an influential figure during Jiang Zemin's tenure as party leader (1989-2002). In the 1990s, both Hong Kong and Macao, colonies of the UK and Portugal, were returned to China although they largely kept their governing structures intact. China managed to maintain its immense economic growth throughout the decade despite the difficulties of the 1997 Asian financial crisis and was admitted to the World Trade Organization in 1999 which increased China's attractiveness to investment and foreign capital. 2002 saw a change of leaders as Hu Jintao was confirmed as President of the Communist party and Wen Jiabao as Premier, the latter being credited with helping China maintain her economic policies throughout the 1990s and negotiating China's WTO membership. The 2000s have seen China maintain very high rates of economic growth and an increase in China's presence on the international stage. Difficulties remain, however, both at home and abroad with the issues regarding Tibet and North Korea, along with Sino-American relations and the

58 Helen Qiao, "Will China Grow Old Before Getting Rich?," in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 47.
<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (10th March 2010).

related question of Taiwan, being the most pressing.

Economy

China is widely seen as being the BRIC country that really defines the group as it is a vast country (the 3rd largest in the world) with the world's largest population (over 1,3 billion) and with a positive economic growth trajectory over the last few decades that is unique and record-breaking. China did better than expected during the financial crisis and maintained an annual average GDP growth rate of over 8% in 2008 and 2009.⁵⁹ This performance is impressive, particularly considering the Chinese economy's usual reliance on Western demand which has fallen dramatically in the crisis. Projections for economic growth in the coming years point to an increase in annual average GDP growth rate with IMF estimates for 2010 and 2011 being 10% and 9,7% respectively.⁶⁰ This massive rate of growth will do much to cement China's place internationally as its economic performance dwarfs those of other big economies. Relying primarily on exports to advanced economies to fuel economic growth, China has become a manufacturing giant with industry making up roughly half of its economy. By some estimates, China's economy is the world's second largest in GDP terms although the country's GDP per capita rate is a mere \$6.500 which is lower than both Brazil (\$10.200) and Russia (\$15.200) but higher than India (\$3.100).⁶¹

Chinese leaders have, for some time, begun to realize the problems facing the Chinese economy. Although prospects might look rosy at present, there are many factors that could, and in some cases already do, pose problems to the economy. Firstly, China's sustained economic boom has relied primarily on its manufacturing industry which has taken advantage of the low wage levels and quantity of both skilled and unskilled labour. In the long term, China might face a problem related to a growing middle-class with higher wages who are increasingly likely to demand conditions that will reduce China's competitiveness. In the shorter term, China must take into account the fact that

59 CIA World Factbook, *CIA*, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (10th March 2010).

60 IMF Statistics, *IMF*, <http://www.imf.org/external/country/CHN/index.htm> (10th March 2010).

61 CIA World Factbook, *CIA*, <https://www.cia.gov/library/publications/the-world-factbook/index.html> (10th March 2010).

its manufacturing industry is heavily dependent on natural resources, fossil fuel, cheap labour and extensive investment. In order to sustain economic growth it will be vital for China to diversify its economy and this has been the policy of China's leaders in the past decade.

By emphasizing the importance of creating a “knowledge economy” and by initiating some relevant policies around the turn of the century, China is beginning to see a marked change in its development. More college graduates than ever before are entering the workforce, particularly in the fields of science, technology and management.⁶² Compared with the other BRICs, China spends more money, both in relative and absolute terms, on research and development (1,43% of GDP) than any of the other three (Brazil, Russia and India spend 0,9%, 1,1% and 0,7% respectively).⁶³ This indicates that China is tackling the modernization issue with some success and may very well in the future base its economy on other sectors than cheap labour manufacturing. An issue which will, however, be more difficult to do something with in the short term is of a demographic nature. China famously introduced the one-child policy in 1977 in order to stem the large population growth in the country. Still in effect today, though not in all of China, the one-child policy has reduced the size of Chinese families and enabled, according to Goldman Sachs, the government to increase spending per capita and thus improve levels of education and the quality of the labour force substantially. The downside is that a large proportion of the population will grow old at the same time, putting great pressure on the economy to provide for this part of the population. The Goldman Sachs research team argues, however, that the positive consequences deriving from the increased quality of the labour force will, to a large extent, mitigate the problems caused by an ageing population.⁶⁴

All in all, China's economy is looking good. With its excellent growth projections and increased emphasis on modernization it seems likely that China has the ability to tackle the challenges that it faces in the coming years and decades. There is

62 Dennis Fred Simon and Cong Cao, “China's Future: Have Talent, Will Thrive,” *Issues in Science & Technology* 26 (2009): 29.

63 OECD Factbook 2008, *OECD*, <http://puck.sourceoecd.org/vl=1706695/cl=16/nw=1/rpsv/factbook2009/index.htm> (10th March 2010).

64 Helen Qiao, “Will China Grow Old Before Getting Rich?,” in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 47-48. <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (10th March 2010).

some debate about whether China's economy is a bubble that is bound to burst due to over-investment⁶⁵, and so it will be up to the Chinese government to show that China's growth model is sustainable.

China and the rest of the world

While China's economy may not be an area of immediate concern for the Chinese government, there are several politically hot topics that dominate China's situation on the international stage. Internally, China faces some potent movements of unrest, most notably the Uighurs in the West of China and the seemingly ever-present issues of Taiwan and Tibet. The Uighurs, a large, and overwhelmingly Muslim Turkic ethnic group in the Xinjiang province who have a history of pursuing separatism with religious rhetoric⁶⁶, resorted to protests, mainly directed at the perceived unfair dominance of Han Chinese in the province, in the summer of 2009. Beijing responded by cracking down hard on the protesters by using military force which, in turn, resulted in hundreds of casualties. The conflict showcased the nature of Chinese security attitudes, which seem to have altered little since Tian'anmen in 1989, and the nature of its government. Obsessed with unity of control and pursuing a policy of assimilation and cultural uniformity, China's authoritarian socialist one-party state is led into actions against internal unrest, particularly in Tibet, that bring down international criticism upon it and do not seem to solve the problem either. China's sensitivity over Tibet and Taiwan, which it sees as historically Chinese and an integral part of the country, also causes frequent diplomatic incidents with the Chinese government reacting angrily to meetings between the Dalai Lama and state leaders of Western countries.

Regionally, China's situation has been undergoing some changes over the last decade. Whereas the US was the clear hegemon of modern times in the Asia-Pacific region, China's new found strength has put it in position where it can credibly rival

65 Hong Liang, "China's Investment Strength is Sustainable," in *BRICs and Beyond*, ed. Goldman Sachs Global Economics Group (New York, NY: Goldman Sachs, 2007), 65.

<http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> (10th March 2010).

66 Elizabeth van Wie Davis, "Uyghur Muslim Ethnic Separatism in Xinjiang, China," *Asian Affairs: An American Review* 35 (2008): 15.

Western influence.⁶⁷ In addition to traditional unilateral initiatives, China's increased involvement in ASEAN (Association of South East Asian Nations) may result, although there is some debate on this⁶⁸, in increased regional influence. On January 1st 2010, China formally entered the ASEAN agreement making it the largest regional institution in the world, by population, although the scope and depth of the organization's trade and co-operation remain limited.⁶⁹

Internationally, China has been increasing its presence significantly in the last few years. With China's economy, at present, being highly dependent on natural resources and fossil fuels, it has been forced to look outside its borders for access to these materials. It has recently begun to look to its neighbours in the west, lending billions of dollars to Turkmenistan to help them develop a large gasfield and undertaking joint ventures worth billions of dollars in Kazakhstan. To strengthen its position, and ready its access to resources, in Central Asia, China has also lent 10 billion dollars to the Shanghai Co-operation Organization (SCO), a security organization made up of China and Russia plus four Central Asian states, to help members tackle the global financial crisis.⁷⁰ The SCO is also of significance as a way for China and Russia to preserve peaceful cooperation between themselves while in practice the balance of power between them is steadily tilting in China's direction. Another interesting turn in Chinese foreign policy has been that the country has increasingly looked to Africa in order to fulfil its ever-growing need for resources. In a recent conference in Beijing with African leaders, China pledged that it would double its development assistance to Africa, to 5 billion dollars in 2009, in an bid to become Africa's single largest trading partner. In return, Chinese companies have been able to establish a growing presence on the continent by building infrastructure and running mines and oil fields.⁷¹ This policy has received a mixed reception with many African countries embracing the assistance whole-heartedly while many Western countries criticize China for lending money to

67 Barry Desker, "New Security Dimensions in the Asia-Pacific," *Asia-Pacific Review* 15 (2008): 56.

68 "Asia's never-closer union," *The Economist*, 4th February 2010
http://www.economist.com/world/asia/displaystory.cfm?story_id=15452622 (10th March 2010)

69 "Ajar for business," *The Economist*, 7th January 2010
http://www.economist.com/world/asia/displaystory.cfm?story_id=15211682 (3rd March 2010).

70 "Riches in the near abroad," *The Economist*, 28th January 2010
http://www.economist.com/world/asia/displaystory.cfm?story_id=15393705 (3rd March 2010).

71 Chris Alden, *China in Africa*, (London: Zed Books, 2007), 3.

repressive regimes with no conditions for human development.

China's relations with the US are a big part of China's foreign policy as the US is one of the largest markets for Chinese exports and, more generally, perhaps the most important actor in international relations. While relations between the two are ordinarily of a friendly nature, and the story of the global economic crisis has underlined their complex interdependence in terms of finance, currency management and investment, there have also been some hiccups recently. The global climate talks in Copenhagen last December serve as an example, with the US and other Western countries blaming China for the failure to reach a comprehensive global treaty while China insists that it is taking a highly responsible approach to climate issues but in its own style. Another ongoing and potentially explosive issue between the two countries has to do with Taiwan. China claims that, as an integral part of China, Taiwanese foreign and security policy should be run from Beijing and that the only ultimate solution is reunification, while the US has, by law, an obligation to protect Taiwan's independence. A recent 6 billion dollar weapons deal agreed between the US and Taiwan has caused much furore in Beijing, thus cooling Sino-American relations.⁷²

It is worth mentioning that China's leaders have claimed on a regular basis that China's rise to prominence is of a peaceful nature and that it does not intend to pursue any military objectives besides protecting Chinese territory, which itself is disputed. Most recently, a government spokesman said that China's military budget will rise by a mere 7,5% in 2010, the first annual growth rate below 10% since 1989.⁷³ Speculation about this decrease has centred on three possible explanations. First of all, there is the possibility that China simply wishes to reiterate its peaceful intentions. Secondly, it has been contended that China's exceptional economy-boosting expenditure caused by the recession has eaten into the defence budget. Third and last, an explanation might be that since defence spending revolves much around the acquisitions of large military hardware systems, a single year's percentage drop may not be of much importance as it could simply indicate that the government is not buying such hardware this year.

72 "By fits and starts," *The Economist*, 4th February 2010 http://www.economist.com/world/united-states/displaystory.cfm?story_id=15452683 (3rd March 2010).

73 Michael Wines and Jonathan Ansfield, "China Says It Is Slowing Down Military Spending," *New York Times*, 4th March 2010. <http://www.nytimes.com/2010/03/05/world/asia/05china.html?scp=1&sq=china%20military%20budget&st=cse> (10th March 2010).

Part III – Discussion

BRICs and mortar of a global future?

While there are many factors that will be instrumental in the potential rise of the BRICs, it is the recent global financial crisis that, more than anything else, may prove pivotal in their development relative to other major powers. The coming decade will be decisive when trying to determine whether the rise of the BRICs is to be understood as a long term shift of power in the world, or simply as a one-off case and temporary coincidence where the similarities and prospects of the BRICs will ebb away in the coming years.

The effects of the crisis have differed in severity from BRIC to BRIC and each country's handling of the crisis has varied accordingly. China and India have, to a large degree, maintained their high growth rates and Brazil has not suffered too much either. Russia has been, by far, the biggest loser of the four, experiencing a painful recession whose effects have only been slightly softened by its foreign reserve stimulus package. The implications of the crisis for the BRICs are, thus, varied. China and India are, according to most projections, headed for a decade of continued economic growth as they have seemingly been able to adapt to a new global economic reality. Brazil is expected to maintain its stable rate of growth in the coming years thanks to macro-economical stability, while Russia is the one BRIC that has to prove that it can bounce back effectively from the crisis and indeed needs comprehensive economic reforms if it is to keep its place as a BRIC.

Looking forward, the immediate future will give the BRICs a chance to further entrench their influence internationally. The financial crisis has led to, or sped up, an interesting development when it comes to BRIC influence. A recent study has suggested that emerging countries, such as the BRICs, have played an important role in helping poor countries deal with the recession by taking up much of the slack created by the decrease of investment by developed countries.⁷⁴ BRIC investment in Africa has reached new heights and has done much to create new friendships and business relations

⁷⁴ Dirk Willem te Velde et. al, “The global financial crisis and developing countries,” *Overseas Development Institute Working Paper* 316 (March 2010): 1-3.
<http://www.odi.org.uk/resources/download/4784.pdf> (15th March 2010).

between nations. Poorer countries in the Southern hemisphere are increasingly looking to the BRICs for help before consulting the Western countries, creating a pattern that is, perhaps, best described as a strengthening of “south-south relations”.⁷⁵ This goes to show that confidence amongst the BRICs is high. The willingness of the BRICs to identify themselves as a group of major powers is also a new development that indicates that the term has gained significant political importance. Over recent years and especially in the context of global governance, the countries have established a loose political and economic alliance that may serve as something of a counterweight to traditional Western organizations providing, perhaps, an option for poorer countries to align themselves more freely in the process. Moreover, the emergence of the G20 has provided the BRICs, as well as other members, with an opportunity to assert themselves within the more traditional institutional framework of international relations. While the role of the G20 is yet to be fully assessed, optimists claim that the group's enormous weight in world economy and trade will enable it to replace the G8 and create a forum for the world as a whole and not just the rich few. Sceptics argue meanwhile that the G20 was used, rightfully, as an opportunistic tool to tackle global recession but that it, in the end, suffers from the same democratic deficiencies as the G8. In any event, there is still widespread hope that the G20 will be able to serve as a platform for reforms and renewal of the Bretton Woods institutions and the UN.⁷⁶ All these trends and factors indicate that the future of international relations will be characterized both by a more systematic inclusion of the BRICs into international institutions, and by more frequent and comprehensive uni- and multilateral initiatives by the BRICs to increase their clout, especially among developing countries.

Another interesting aspect of the BRICs' rise is the question of whether the process signals a trend that has the potential to repeat itself. If the rise of the BRICs is seen as wave of countries that go from being categorized as developing or emerging to being categorized as developed, one could easily argue that this wave is only the first of

75 “Crumbs from the BRICs-man's table,” *The Economist*, 18th March 2010.
http://www.economist.com/world/international/displaystory.cfm?story_id=15731508 (24th March 2010).

76 Simon Maxwell, “Is the G-20 a temporary sticking plaster or a full organ transplant?,” in *A Development Charter for the G-20*, ed. Overseas Development Institute (London: ODI, 2009), 26-27.
<http://www.odi.org.uk/resources/download/3169.pdf> (15th March 2010).

many. Developing countries all over the world might ask themselves “If the BRICs could do it, why can't we?” and rightly so. This thesis has argued that the main justification for the BRICs to be categorized as a group has to do with their scale and potential. While these characteristics seem to define the first “wave” of countries, there is nothing to suggest that, given stability of government and necessary reforms, other developing countries should not follow suit. The N-11 have already been identified and some of them might, arguably, be considered a better fit for the BRICs than Russia is, and, in any case, the N-11 might include the countries that will form the next wave of “BRICs”. These predictions are, however, somewhat premature, as the development and rise of the BRICs is yet to be fully seen. China and India can hardly be considered fully developed and the BRICs' rise to prominence is still dependent on many more years of growth.

From a Western point of view, the rise of the BRICs provides many challenges as well as opportunities. Having dominated international institutions ever since their creation, Western powers will have to come to terms with the demands of the BRICs for a greater say on global matters. Today, there are no meaningful international treaties that can be negotiated without the inclusion of the BRICs in the process and it has become clear, most notably in the recent Copenhagen summit on climate change, that emerging countries are showing an increased willingness to stand together in order to form a sort of “united front” so that Western interests are not the only ones taken into account. The key to success for international co-operation through institutions is dependent on how the BRICs will be accommodated in global forums and this will also be instrumental in maintaining friendly relations between developed and developing countries. Western countries have begun to realize this, and institutions such as the IMF have already altered their governance structure to give more voice to developing members, particularly China and India.

Another aspect of this discussion is how global institutions wish to perpetuate their role in the global community. The Bretton Woods institutions have come under much criticism for being outdated which is, to a large degree, a consequence of the limited inclusion of the BRICs in these institutions' policy making.⁷⁷ Thus, it appears

⁷⁷ Jo Marie Griesgraber, “Reforms for Major New Roles of the International Monetary Fund? The IMF

that all parties have something to gain, albeit some more than others, from a greater inclusion of the BRICs into international institutions. The BRICs want to increase their clout and have a greater say in international institutions and have therefore a lot to gain. Major Western powers will want to ensure friendly relations with emerging powers, to influence them towards continuity in the way the world system is run, and to ensure their own position in the revamped international institutions of the future. Lastly, the institutions will themselves seek to maintain and enhance their position by becoming relevant platforms for discussion and policy making.

Summary: What are the conditions for the BRICs' ultimate success?

The BRICs will continue to be hotly debated in the years to come as the questions concerning the group's validity and uniformity are controversial subjects. It is fascinating that a term that was first coined by an economist of an investment bank has grown so much in popularity that the BRIC countries themselves have begun to put great political emphasis on co-operation amongst each other. Despite receiving much criticism both for the lack of similarities between the countries and also because of lofty long term projections, the BRIC term seems to be as flourishing as ever and one can easily pose the question of whether the much advertised rise of the BRICs will become a self-fulfilling prophecy.

However, it is important to consider that a future where the BRICs have just as much say on global affairs as the traditional world powers is not necessarily desirable. Some of the BRICs, China and Russia in particular, have poor human rights records and their regimes are best described as authoritarian and, to some extent, militaristic. Along with a greater say on global affairs and a stronger position in international institutions comes also a greater responsibility. A future where dubious, undemocratic and repressive countries serve as role models and influential figures in the global community is not a good thing. It will therefore be necessary for current major powers and institutions to try to temper the BRICs when it comes to international co-operation

Post-G-20 Summit," *Global Governance* 15 (2009): 179.

and make them responsible actors on the global scene.

Overall, the BRICs' ultimate success hinges on many factors. Most important is that they achieve high rates of economic growth in the coming decades as this is the foundation of their success, both individually and collectively. In addition, the BRICs will need to use their increased wealth to gain influence internationally so that they can establish themselves as confident, modern, responsible and credible actors on the international scene. If these main objectives are achieved then the BRICs, and indeed the rest of the world, will be better off as international institutions will become more democratic and thus, perhaps, more effective and, no doubt more importantly, the rise of the BRICs will do much to significantly decrease poverty and hunger in the world.

This thesis has focused on the BRICs, both individually and as a group, in order to better understand why the countries have been grouped together and, further, why the term is so widely used. The validity of the term has been debated and other theories regarding the subject have been explored. Each country has been examined, and their strengths and weaknesses identified so as to provide a clearer picture of what sort of group the international community can expect the BRICs to be, and in what manner they will be most likely operate. Political, economic and military factors have been taken into account in the discussion in order to paint a many-sided, albeit incomplete, picture of the BRICs. The effect of the financial crisis on the rise of the BRICs has been given special attention as it may prove to be a pivotal event in the development of the BRICs and provide a speeding up of the reorganization of international institutions. The direction of these countries' future, both individually and as a group, is an issue that ought to interest every other nation – large and small – throughout the world.

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