

THE BROOKINGS INSTITUTION

GLOBAL ECONOMY AND DEVELOPMENT PROGRAM

**Inaugural Global Agenda Forum**

**The Rising Powers: Navigating the BRICs Century**

Featuring:

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Nonresident Fellow, Brookings

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MR. LINN: Welcome to this panel. The topic is "The Rising Powers: Navigating the BRIC Century." Just to remind you who the BRICs are: Brazil, Russia, India, and China. One might want to add that in a sense they are only representative of the broader group of relatively rapidly growing, integrating, emerging economies. Indeed, we have of course the "BRICS," if you add the "S" for South Africa; you have "BRICSAM" if you add Mexico; and you can increase the number of these emerging economies as you wish. But for this presentation, the seminar this morning, and the overall session, we will just focus on the BRICs, small "S": the four major emerging economies of Brazil, Russia, India, and China.

In a sense you might wonder what all the fuss is about, because today they are actually not that large a fraction of the world economy -- maybe 10 percent or a bit over 10 percent of GDP at current market prices, 15 percent of world trade, 16 percent of FDI, stock market capitalization of about 5 percent or thereabouts anyway. So what's the big fuss about?

We are all familiar with the well-known projections by Goldman Sachs, which are taken out to 2050, and if their projections are right -- and one can argue about this -- then by 2050 China will be the largest economy even at U.S. current exchange rates, and indeed, India will be the third-largest, with Brazil not far behind. So it is really that sort of

projection that determines why, at this point, one is focusing so much on the role of the BRICs, even though the last 5 to 10 years have seen a dramatic turnaround in terms of how these countries have performed. I think for our discussion today it is really about the future and what we see heading our way, collectively, for the globe, for the countries themselves, and for the other major players, and in particular for the developing world, that we would like to discuss.

Stepping back it may be worth just remembering that we had a somewhat similar experience with at least one country in the 1950s and the 1960s. Japan experienced an average growth rate of about 9 percent for about 20 years, and there was already a tremendous expansion in this particular part of the world, with stresses on the world's natural resources -- especially energy -- and stresses in world trade, as protectionism was at that time raising its head. But looking back the world adjusted. It adjusted in terms of the management of these various stresses, it adjusted in terms of the global governance structure by including Japan in what then became the G-7, eventually the G-8.

But of course Japan did not grow forever. We are well aware that Japan slowed down dramatically and indeed experienced a pretty grim decade in the 1990s. So if one had just extrapolated at the beginning of the 1970s the growth of the

last 20 years, you would have seen a picture not dissimilar to what we project today for, say, China in 2050.

Another way of looking at it is saying 40 years is a long way away, so why worry today? I like to say this when people discuss longer-term projections. Forty years ago, I was already somewhat 20 years of age, so when looking back, 40 years is actually not that long a time for some of us. Looking forward, it is also worth remembering that 40 years or whatever years is actually upon us pretty quickly, so it is worth paying some attention, and this is what we are all about here today.

The implications of this transformation of the world economy have many dimensions. This is especially prominent in the energy and environmental areas, and this is perhaps the special focus of today's debate. Additionally, we have trade investment, and newly on the horizon, the role of these economies in terms of aid, creating quite a bit of attention and important inclinations. So this transformation requires adjustments from everybody. I would argue that it requires adjustment among the big traditional industrial powers, among the poor countries, but also especially among the BRICs themselves.

It also requires, I believe, adjustment in world governance, in the role of global government institutions, the U.N., the IFIs, the specialized agencies for trade, health, the

environment and so on, as well as in the G-8 summit. I want to quickly advertise a new book which Colin Bradford and I just edited on global governance reforms that covers these areas. Indeed, we are in a sense happy to see that some movement, especially in the G-8 summit framework, seems to be underfoot with inviting the BRICs, in fact the BRICS with South Africa, into the fold a bit more than is traditional for the G-8 summit; in fact, having the G-8 plus the O-8 -- the O-8 being the Outreach 8 -- as a fairly formal part of the proceedings.

Colin Bradford and I have been arguing that this really needs to go much further. We need a forum that includes the BRICs and as well as some other countries in a global summit forum that should be the place where global issues are being discussed, preferably also addressed and resolved as far as possible.

But without going too far down that particular argument, let me turn to actually our panel discussion today. We have three sets of questions that I will put to our panelists. The first is, "What are the prospects for continued growth and continued increases in the weight of the BRICs?" Secondly, "What are the implications for the BRICs themselves? How can they actually continue managing this transition, including some of the problems that we heard this morning from Mr. Murthy?" Finally, "What are the implications for the rest

of the world -- economic, security, energy, environmental security, among others -- and for global governance?"

To help us grapple with these questions, I have four wonderful colleagues sitting next to me and I will try and manage the presentations and discussions as we go along. I first have Clifford Gaddy to my left, who is a Senior Fellow at Brookings and has been with us since 1991. I will not go into detailed backgrounds. You will find the bios written up for all our panelists and contributors today in your packets. Clifford is a great expert on Russia and the former Soviet Union, and he will not surprisingly therefore talk about Russia.

Next is Urjit Patel, who is a Nonresident Fellow at Brookings. He is also the Director of Financial Technologies Limited in India, and he will talk about India.

Next to him is Wing Thye Woo, who is also a Senior Fellow at Brookings and Professor of the Department of Economics at the University of California at Davis, and he will talk about China.

Finally, last but not least, I am very pleased to see with us Daniel Yergin, who is Chairman of Cambridge Energy Research Associates. He is also a Pulitzer Prize winner for the well-known book "The Prize: The Epic Quest for Oil, Money, and Power." He is also a great authority on energy and international economics.

I welcome all four of our panelists here. They have each been assigned 7 minutes to introduce their prospective topics, Russia, India, China, and the cross-cutting issues of energy and related matters that Daniel will address.