

5

RISE OF NEW POWERS

BROOKINGS GLOBAL EXPERTS

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The rise of “emerging powers”—a group that usually includes the so-called BRICs (Brazil, Russia, India, and China) but which sometimes is applied more broadly to include South Africa, Mexico and other nations—is reshaping the global economy and, more gradually, international politics. Growing much faster than the rest of the world, these economies are changing the structure of international production and trade, the nature and direction of capital flows, and the patterns of natural resource consumption. At the same time, the growth of these countries is beginning to shift the global distribution of power, forcing the great powers to come to terms with the reality that they will need to share management of international rules and systems in the coming decades.

THE GLOBAL CONTEXT

Of the emerging powers, the BRICs have the most potential to affect the global economy. This group is set apart from many other developing countries in having very large populations (ranging from 140 million to 1.3 billion), significant land mass, and economies that are both diversified and anchored in potentially large internal markets. Each of the BRICs has or will soon have market power in particular sectors—from soybeans and dollar-denominated securities to ethanol and natural gas, enjoying sufficient scale to move prices of these goods single-handedly. The BRICs are also the political and economic centers of gravity in their respective regions, and all four countries have strongly held aspirations to play a global role.

With India and China as manufacturing and service-producing powerhouses, respectively, and with Russia and Brazil as their main suppliers of food, energy and raw materials, the BRICS are projected to reach the ranks of the top 10 economies by 2040 and to surpass the economies of the Group of Six, in dollar terms, within 40 years. Even if these projections turn out to be overly optimistic, the sheer weight of

demographics and the emerging division of global labor suggest that, barring some major reversal, at least some of the BRICs will rank among the leading players in the international economy.

THE CHALLENGE

The BRICs themselves face complex challenges in managing their own growth and political evolution while maintaining stability, finding their place in the global marketplace among other larger emerging economies and navigating both regional and global political complexities:

- > **Maintaining political and social stability.** Policymakers in the BRICs face the challenge of balancing rapid economic development and political modernization while preserving social stability. The specific challenges for each country are different, but all will have to cope with growing inequality and internal migration, facilitate continued high rates of employment growth, promote the development of internal demand and manage rapid demographic change.
- > **Environmental sustainability.** The environmental costs of rapid growth are clearly evident in the destruction of Brazilian forests and the rapidly deteriorating air quality in Chinese cities. If their growth is to be sustainable, the BRICs will have to change their energy mix away from coal and toward cleaner fuels, manage natural resources more efficiently, secure stable supplies of fuels and raw materials, and improve environmental regulation and enforcement. Eventually, the BRICs—and particularly India and China—must become fully engaged in global efforts to tackle climate change.
- > **Building institutions to deal with shocks.** All four BRICs need to develop stronger institutions to cope with ecological and economic shocks. Given the size and population of these countries, shocks can quickly take on unmanageable proportions, so effective crisis control and containment institutions must be in place. The BRICs must institute more effective regulation and supervision of financial systems, better social safety nets to insure those dislocated by breathtaking economic change, and stronger public health systems to monitor, contain and control pandemics.

RECOMMENDATIONS FOR ACTION

The economic and political rise of the BRICs also present complex challenges to the G7 economies that have been dominant for the past several decades. How effectively they respond to the rise of these new powers will have major implications for global and regional stability and institutions. Several recommendations could help shape this evolution favorably:

- > **Look at the BRICs through new lenses.** Knowledge of the internal politics and economic and social trends inside the BRICs remains remarkably thin in most G7 capitals. In U.S. policy circles, knowledge of India and Brazil is especially weak. G7 decision makers need to enhance not only their understanding of individual countries but also of the evolving relations among the BRICs themselves and their neighbors. The G7 should engage the BRICs not only at the government-to-government level but also promote business and civil society links. These links can help build more resilient bilateral ties and strengthen democratic and internationalist voices within the BRICs. This will be especially valuable in China and Russia.
- > **Promote the balanced and sustainable growth of the BRICs.** Today's leading industrialized nations have a large stake in the continued stability and growth of the BRICs. Given their growing weight in international markets, economic collapse in one or more of the BRICs would have serious repercussions for Europe, Japan and the United States and threaten regional stability. In addition, the G7 has a compelling interest in encouraging the BRICs to choose development strategies that minimize environmental degradation and resource depletion and respect human rights and good working conditions.
- > **Give the BRICs a real stake in existing institutions.** The current rhetoric about pressing China and other BRICs into behaving like “responsible stakeholders” will not achieve the desired end unless these countries have a voice and decision-making power in international organizations commensurate with their weight in the global economy. Until the BRICs are included as “responsible stewards” of organizations such as the IMF, the World Bank, the International Energy Agency, and the G7, the BRICs' preferred strategy will be to pursue thicker regional and bilateral links rather than to engage fully in—and share the costs of—global governance institutions.
- > **Encourage sustainable growth.** The G7 should encourage the BRICs to adopt growth strategies that minimize negative spillovers. The G7 should aggressively pursue the BRICs' participation in multilateral initiatives to reduce carbon gas emissions and help them adopt cleaner and more efficient technology, energy and infrastructure. At the same time, the G7 should provide incentives for and increase pressure on the BRICs to follow international human rights norms and social responsibility standards when conducting business in other developing countries.
- > **Undertake policies that promote competitiveness while providing insurance.** The emergence of the

BRICS is sending ripples to the farthest reaches of the world economy—posing challenges to some and opportunities to others. Political leaders in higher wage economies will need to proactively develop policies that facilitate mobility into new growth sectors while providing social insurance to those displaced by the new wave of globalization.

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