CHINA IN THE BRICS: SEEKING CLOSER COOPERATION, NOT HEGEMONY

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EAI Background Brief No. 556

Date of Publication: 26 August 2010

Executive Summary

1. The recent world economic crisis has thrust the emerging economies of Brazil, Russia, India and China, or commonly known as the BRICs, into the international limelight. The BRICs have weathered the crisis well and are regarded by some analysts as the new growth engine of the world.

2. In terms of their size and economic potential, the statistics are impressive. The BRICs account for 42 percent of the global population and 28 percent of the world's land mass. Their share of world output exceeded 15 percent in 2009 and, collectively, they own almost half of global foreign exchange reserves.

3. Politically, the BRICs have also attempted to get their act together. They have elevated their engagement from the foreign minister to the leaders' level. They have also progressed from convening at the sidelines of UN meetings to stand-alone meetings. They have even expanded their scope of interactions.

4. Yet, a look at the economic figures reveals much imbalance among them, especially between China and the other three. China's GDP is larger than the other three combined. Among the BRICs, China is also the most highly integrated economy with the rest of the world. In addition, the BRICs conduct the bulk of their trade with non-BRIC countries than among themselves.

5. The record of the BRICs in working together is also mixed. On economic and financial matters, they have had some success. The US and EU are prepared to rope them into decision-making process at the international level through the G-20 meetings. Most recently, the voting power of China, Brazil and India in the World Bank has been increased because of their rising economic clout.

6. Earlier, there were voices from individual BRIC countries calling for the creation of a supra-national reserve currency to replace the greenback. This call is now somewhat muted, indicating differences among the countries concerned and the lack of a viable alternative to the US dollar.

7. Beyond economics, the BRICs face intractable challenges on the political front that hobble its effectiveness as a group. Among the four countries, the rivalries between China and Russia and between China and India are most evident. Little strategic interests unite China and Brazil except for the mutual benefits derived from bilateral trade and investment.

8. On its part, China does not intend to dominate the BRICs nor does it want the BRICs to challenge or even upset the existing world order with the US at the helm. This is in line with China's low-profile foreign policy posture and preoccupation with its domestic agenda. Russia appears most eager for the BRICs to become more assertive.

9. Due to their differences, the BRICs are unlikely to become a close-knit political group. They can more aptly be described as a loose body of fiercely independent and nationalistic countries with regional if not world ambitions. Each of them has the option of going it alone if things do not work out.

10. Nevertheless, there is potential for the BRICs to exert increasing influence and gradually shape the existing economic and financial order more in line with their interests. However, this role would be contingent on them working within the existing world order to effect changes from within. Such a process would take time.