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Source: *Asian Perspective*, Vol. 31, No. 4, Special Issue on "The BRICs Countries (Brazil, Russia, India, and China) in the Global System" (2007), pp. 7-42
Published by: Lynne Rienner Publishers
Stable URL: https://www.jstor.org/stable/42704607
Accessed: 28-08-2018 19:24 UTC

ASIAN PERSPECTIVE, Vol. 31, No. 4, 2007, pp. 7-42.

THE BRICS COUNTRIES (BRAZIL, RUSSIA, INDIA, AND CHINA) AS ANALYTICAL CATEGORY: MIRAGE OR INSIGHT?

Leslie Elliott Armijo

American hegemony has passed its peak. The twenty-first century will see a more multipolar international system. Yet Western European countries may not be the United States' main foils in upcoming decades. Four new poles of the international system are now known in the business and financial press as the "BRICs economies" (Brazil, Russia, India, and China). Does the concept of "the BRICs" also have meaning within a rigorous political science framework? From the perspective of neoclassical economics, the category's justification is surprisingly weak. In contrast, a political or economic realist's framing instructs the United States to focus on states that are increasing their relative material capabilities, as each of the four is. Finally, within a liberal institutionalist's model, the BRICs are a compelling set, yet one with a deep cleavage between two subgroups: large emerging powers likely to remain authoritarian or revert to that state, and states that are securely democratic.

Key words: International political economy, Brazil, China, India, Russia, BRICs

Why the BRICs?

In 2003 the institutional investment firm of Goldman Sachs issued a research report that coined a catchy acronym: the "BRICs economies," or Brazil, Russia, India, and China.[1] At the time of writing, the four large emerging economies collectively represented only 15 percent of the gross national product (GNP) of the six major advanced industrial economies: the United States, Japan, Germany, Britain, France, and Italy. Economists Dominic Wilson and Roopa Purushothaman, however, predicted that "in less than 40 years" the BRICs were likely to catch up with the six. The BRICs would then become the world's principal "engine of new demand growth and spending power," which could "offset the impact of graying populations and slower growth in the advanced economies."[2] Since then the international financial press has run with the label, which has caught the imagination of investors much as the term emerging markets did a few years back. This article critically examines the "BRICs countries" concept.

These four countries are not an obvious set. Their internal politics and economics are dissimilar. Although all are federal states, only India and Brazil are well-institutionalized democracies, one of which is parliamentary and the other presidential, respectively. Russia is a declared democracy moving toward authoritarianism, while China is a Marxist people's republic. Each of the four embodies distinct cultural and linguistic traditions, though they share the characteristic of having been recognizable political entities for centuries. All four possess modern industrial sectors, with ever deepening links to the global capitalist economy, along with large areas of the economy that operate informally and outside the reach of regulators and tax collectors. Their stock market capitalization to gross national product (GNP) ratio varies from 35 percent for China (mainly in Hong Kong and Shanghai), to 60, 69, and 72 percent for Brazil, India, and Russia, respectively.[3] Russia and

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1. I thank Vinod Aggarwal, Melvin Gurtov, Christine Kearney, Karthika Sasikumar, Aseema Sinha, and Anthony Spanakos for helpful comments.
2. Dominic Wilson and Roopa Purushothaman, "Dreaming with BRICs: The Path to 2050," Global Economics Paper No. 99, Goldman Sachs, October 1, 2003, p. 2.
3. Unless otherwise noted, all figures in this paragraph and the next are

China are significantly globalized, with trade/gross domestic product (GDP) ratios of 48 and 64 percent respectively, the latter quite extraordinary given China's large absolute economic size.[4] India and Brazil are less globally integrated, with trade/GDP ratios in 2005 of 29 and 25 percent, respectively. Although three of the four BRICs countries have substantial and reasonably secure trade surpluses, India runs a persistent trade deficit. The three trade-surplus BRICs—Brazil, Russia, and China—have external debts with net present values in the $200-billion range, while India's foreign debt is about half. Russia's exports are extraordinarily concentrated in natural gas and other energy products, while the other three have more diversified export profiles. Finally, each of the quartet faces looming challenges that could choke its economic progress: China's pollution and shortages of natural resources; India's woeful physical infrastructure and continual nasty communal conflicts; Brazil's inability to grow rapidly despite today's favorable international environment of high commodity prices; and Russia's corruption and vulnerability to the "natural resource curse" of ample public funds even *sans* good government for its citizens and firms.

There are neither the same strengths nor extremely similar development challenges across the group of four countries. Examined from the perspective of either domestic politics or economic structure, it would seem more sensible to group Brazil with Argentina, Mexico, Chile, Colombia, or Venezuela; India with Pakistan and Bangladesh; and so forth. The notion of the BRICs countries as a set thus appears forced. However, an alternative and equally valid way to approach the question might be to ask whether the BRICs countries form a set because they have a similar type of influence in, or equivalent implications for, the international political or economic system. Do they alter the conditions of international interactions for other players—whether states, firms, or international organizations—in parallel ways? It is in this latter sense that the set of the "BRICs economies" or "BRICs countries" may have merit as an analytical category. The remainder of this article explores the concept with the aid of

from *The Little Data Book 2007* (Washington, D.C.: The World Bank, 2007).

4. For comparison, the U.S. trade/GDP ratio in 2005 was 21 percent.

three alternative frameworks for conceptualizing the workings of the global economy: economic liberalism, realism, and liberal institutionalism.[5]

Economic Liberalism and the BRICs

Capitalist investment firms writing research reports and newsletters for clients generally operate within an *economic liberal's* view of the international political economy. The mental model of economic liberalism assumes that the international economy operates roughly as modeled by neoclassical economics. World markets are mostly globalized, decentralized, and competitive, with capitalist firms being the key actors. Therefore, governments are important only insofar as they provide good or bad economic institutions that can help or hinder the firms that invest and produce within their borders. Firms decide whether to participate in the global economy based on their expectations of profit. State boundaries are significant principally because states possess dissimilar endowments of human, physical, and financial capital, as well as different types and levels of natural resources. National governments also provide national frameworks for economic governance, some of which are friendlier to the private sector than others. However, within the economically liberal worldview, governments cannot materially affect the competitive position of home country firms, for example, by enacting economically nationalist regulations such as tariffs, subsidies, or intentionally undervalued exchange rates.

The BRICs category is significant within the economic liberal's framing if these four countries offer unique or exceptional opportunities for foreign investors. This might be the case if they were all exceptionally high growth economies, and many have

5. For a fuller analysis of the ways in which these three framings yield alternative yet convincing visions of the international political economy, see Leslie Elliott Armijo and John Echeverri-Gent, "The Politics of Global Markets: Mental Models of Trade and Finance in an Unequal World," chapter in *Report of the APSA Task Force on Inequality and Difference in the Developing World* (Washington, D.C.: American Political Science Association, September, 2006). Available at www.apsanet.org/section_557.cfm.

assumed that this is what the BRICs category implies.[6] Instead, their 2000-2006 growth rates vary widely, ranging from Brazil's modest 3.1 percent, below the world growth rate of 3.3 percent, to the 6.7 percent logged by both India and Russia, to China's astonishing 9.4 percent. In any case, high national growth rates do not necessarily result in high returns to private investors. William J. Berstein observes that:

> [J]ust as growth stocks have lower returns than value stocks, so do growth nations have lower returns than value nations—and they similarly get overbought . . . Between January 1988 and April 2006, the returns for emerging-markets equity and the S&P 500 were 18.78% and 12.07%, respectively. However, . . . the lion's share of the emerging-markets' return was earned before 1994, when there was little international interest in them. Begin the analysis on January 1994 and numbers change to 7.76% for emerging markets and 10.72% for the S&P 500.[7]

Bernstein attributes disappointing returns in emerging markets to problems with corporate governance, such as unwarranted share dilution.

The Goldman Sachs team called the BRICs the four prospective "engines of growth," thus suggesting that there were excellent investment opportunities within the four economies. This perhaps suggests that since their large domestic markets are expected to grow rapidly as the growth of the middle class creates new consumers, there will be a rapid demand growth in, for example, automobiles, electricity, and local capital markets.[8] Risks to investors also should be lower in larger emerging-market economies as contrasted to smaller emerging-market economies due to the fact that, other dimensions being equal, larger economies will be less trade dependent and globally integrated than smaller economies. Due to this, larger markets are less exposed to exogenous economic shocks. However, as noted above, both China and

6. For example, "High-growth Economies Make a Siren Call to Multinationals," *Financial Times* (London), February 8, 2006.
7. William J. Bernstein, "Thick as a BRIC," *Efficient Frontier Online Journal*, August 2006 at www.efficientfrontier.com.
8. Jim O'Neill, Sandra Lawson, and Roopa Purushothaman, "The BRICs and Global Markets: Crude, Cars and Capital," *CEO Confidential*, October 2004.

Russia are heavily trade dependent.

The four also are seen as future competitors of the United States and other advanced industrial countries. Subhash C. Jain writes: "After the collapse of the Soviet Union, the United States became the lone superpower of the world. But it may not be able to hold this dominant position for long. . . . US companies must train their current and future managers to compete with firms in the BRICs."[9] In the end, the core argument in the business and financial literature as to why the BRICs countries are significant rests upon the relative economic size of the four countries, both at present and in the near future, and the implicit (and possibly dubious) assumption that large size implies economic dynamism. The central organizing principle for the BRICs category is not growth rate, nor opportunities for investor profit, but rather sheer economic size.[10]

This leads to two observations. The first is that the growth predictions are plausible if not assured. As shown in *Table 1*, China has grown rapidly since 1980, while the other three BRICs have steadily and incrementally increased their share of the global economy. In all, the four represent about 12 percent of world output. In fact, if we use the purchasing power parity (PPP) measure of gross domestic product, which is arguably more appropriate for comparisons of advanced industrial countries with developing economies, then China's economy already is three-quarters the size of the United States. The world's four largest economies are the United States, China, India, and Japan. Moreover, Brazil and Russia already are similarly sized economies to Germany, Britain, France, and Italy. *Table 2* projects future growth. According to the Wilson and Purushothaman model, the BRICs countries could account for a share of world production that would be equivalent to that of the six industrialized democracies (referred to as the Group of Six or G-6) by 2040.[11] Their predictions of

9. Subhash C. Jain, ed., *Emerging Economies and the Transformation of International Business* (Cheltenham, UK: Edward Elgar, 2006), p. xv.
10. In a recently-edited volume on the BRICs, only one of nineteen papers written almost exclusively by business school faculty explicitly makes the case why we should investigate these countries as a set. This one original paper was by the two Goldman Sachs economists, which has been included in the volume. Ibid.
11. Adding Canada to the full membership of the Group of Seven (G-7)

Table 1. Economic Power Today (percent of world production)

	GDP at Market Exchange				GDP in PPP			
	1980	1990	2000	2006	1980	1990	2000	2006
U.S.	25.2	26.4	30.7	27.4	21.3	21.3	21.5	19.8
Japan	9.6	13.8	14.6	9.0	8.1	8.7	7.2	6.2
Germany	8.3	7.8	6.0	6.0	6.0	5.2	4.7	3.9
Britain	4.9	4.5	4.5	4.9	4.0	3.7	3.5	3.2
France	6.3	5.9	4.2	4.6	4.2	4.0	3.5	4.1
Italy	4.2	5.2	3.5	3.8	4.1	3.8	3.3	2.7
G6	**58.5**	**63.5**	**63.5**	**55.7**	**47.4**	**46.6**	**43.7**	**38.8**
China	1.7	1.6	3.8	5.5	3.1	5.6	11.0	15.0
India	1.7	1.5	1.5	1.9	3.3	4.3	5.3	6.4
Brazil	2.4	2.6	2.2	2.6	3.4	2.9	2.7	2.6
Russia	..	2.4	0.8	2.0	..	4.6	2.3	2.6
BRICs	**..**	**7.8**	**8.1**	**11.7**	**..**	**17.3**	**21.3**	**26.5**
G6+BRICs	**..**	**71.3**	**71.6**	**67.4**	**..**	**63.9**	**65.0**	**65.3**

Calculated from World Bank, World Development Indicators (WDI), accessed online September 2007.

Table 2. Projected Economic Power
(percent of combined production of the United States, Japan, Germany, Britain, France, and Italy, plus the four BRICs)

	1990	2006	2020	2030	2040	2050
G6	89	83	72	61	50	40
BRICs	11	17	28	39	50	60

Years 1990 and 2006 calculated from WDI, GDP at market rate. Years 2020 to 2050 from estimates of Wilson and Purushothaman, 2003, p. 4.

future growth are reasonable though unverifiable. Interestingly, they anticipate steady, cumulative growth in Brazil and India of just under 4 and 6 percent, respectively, through mid-century, but steadily declining rates of expansion in China and Russia, falling

delays the BRICs countries' catch-up date only by a few years. The Goldman Sachs team of Wilson and Purushothaman may have thought 2040 a more memorable date or six an easier number to work with.

to about 3 percent in the former and 2 percent in the latter by 2050.[12] They do not explicitly consider the possible political consequences in China or Russia were growth to slow dramatically.

A second observation is that the large or small size of an economy is not really a core concept within neoclassical economics. That is, the economic liberal's framing on the essential nature of the international economy provides no compelling reason for concluding that any economic advantages possibly inherent in larger size ought to trump those of a faster growth rate, good property-rights protection, or other economic or financial ratios of interest to private investors. It is not clear within this framing why a rational investor might prefer slower-growing Brazil to faster-growing Korea or Malaysia. And yet the BRICs concept has proven to have legs—it has been repeated often and enthusiastically, both within the investor community and in international policy circles.[13] Perhaps the concept's intuitive appeal cannot be encompassed or understood within the mental model of decentralized global free markets. We may need to look elsewhere to understand why it has resonated so widely.

Political "Realism" and the BRICs

The problem may lie in the economic liberal's mental model, which offers few insights into the role of the relative size of a country. As noted, there is reason to believe that the latter proposition might sometimes be true, as with the expected advantages from having a good-sized domestic market. But sheer economic size is far from the only determinant of profitability, and thus "the BRICs economies" is an odd and illogical set. Size also might be

12. Wilson and Purshothaman, "Dreaming with BRICs," p. 21.
13. For an example of each, see Grant Thornton International, "Emerging Markets: Brazil, Russia, India, and China," *International Business Report 2007*, No. 1; GTZ and German Council for Sustainable Development, "BRICS + G: Sustainability and Growth: A Conference Report," 2005, available at www.bricsg.net. The United Nations University's World Institute for Development Economics Research (WIDER) also recently funded a large research initiative on the set of countries it optimistically designates "Engines of Growth for the 21st Century" and calls the "CIBS group": China, India, Brazil, and South Africa.

important when we consider firms in a market because of concerns over oligopoly or oligopsony. But this is not normally how we think about countries, with the partial exception of natural-resource producers. So what is behind the intuitive appeal of the BRICs category? Perhaps the answer is that even economic liberals recognize that cross-border trade and investment transactions occur within an international *political* economy.

From the perspective of those who would describe themselves as *realist* analysts of international relations, the relative size of economies is of fundamental importance because economic size is an essential clue to their relative capabilities—in other words, the "power"—of countries. Can we make sense of the BRICs concept through a political realist's framing?

Realists see a world of sovereign states, none of whose governments happily yield to the dominance of the others. The essence of international politics is "anarchy," meaning the absence of a legitimate, effective central authority whose decisions carry the weight of law and are ultimately backed by force. Even when sovereign states agree on international laws and rules of civilized conduct among them, the lack of international enforcement machinery implies that each sovereign state must look to its own protection and interests. In such a self-help system of mutual distrust, the only rational stance for a responsible national government, sadly but inevitably, leads to large defense expenditures, arms races, and the potential for instability and even war, as insecure states may be tempted to attack preemptively.[14]

We have now dramatically shifted our reference framework. The economic liberal's world is one in which transnational investment flows freely across borders. Economic growth requires new technologies and the spread of an open, nondiscriminatory, and above all, peaceful global political economy. The international relations analog of economic liberalism may be found in the various versions of the "trade brings peace" hypothesis.[15] The real-

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14. See Kenneth N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979); A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1981); and John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001).
15. See John R. Oneal, Bruce Russett, and Michael L. Berbaum, "Causes of Peace: Democracy, Interdependence, and International Organizations,"

ist's model is quite different. Realists understand trade and investment flows as occurring within—*and being subordinate to*—the more significant and enduring structure of interstate relations. It is international peace that permits and enables trade, not the reverse. Moreover, rational and responsible national leaders never lose sight of the fundamentally anarchic nature of the global system. Consequently, where economic liberals stress mutual absolute gains from trade, realists are primed to notice relative gains in which one party, or one country, benefits more than the other. It is likely that much of the interest generated in the United States and Europe by the notion of the BRICs derives from underlying realist fears sparked by the prospect of an ascendant group of mostly non-traditional and non-European major powers.

From a realist viewpoint, two questions about the BRICs are paramount. First, are the relative material capabilities of any or all of these four countries significant enough today, or in the plausible near future, to consider them as major powers at the global level? Second, if so, then what might this mean for the interstate system?

We begin with the question of the relative power of the BRICs countries, considered here as independent entities, not as a group. We assume an essentially realist/neorealist world in which the primary players in international affairs are sovereign states. Of course, the conceptualization of Russia—a traditional major power in the nineteenth century and presumed superpower between 1945 and 1990—as an emerging power is distinctly odd from a realist perspective. Is Russia a declining major power or a rising BRIC? While this is a legitimate question, we leave it aside here, and treat Russia as an emerging power, assuming the early 1990s as our baseline.

The BRICs as Powers

In this section of the article, I therefore introduce a variety of mostly quantitative evidence in order to evaluate whether any, or all, of the BRICs are on their way toward becoming major powers. Rather than comparing the six largest members

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International Studies Quarterly, vol. 47 (2003), pp. 371-93, as well as this volume's contribution by Rusko and Sasikumar.

of the Group of Seven industrial countries, as done by the Goldman Sachs economists, I compare the five largest industrial democracies to the four BRICs. As is traditional, I begin with military might.

Although there are currently 192 member states in the United Nations, in 2006 the United States alone accounted for an astonishing 45.7 percent of world military spending. Britain, with the next largest share, contributed only 5.1 percent.[16] The only other countries that account for 2 percent or more of total world military expenditures are the remaining members of the G-5, France, Japan, and Germany, plus three of the four BRIC countries—China, Russia, and India, the latter with 4.3, 3.0, and 2.1 percent, respectively.[17] Together, the shares of these seven countries total only 26.1 percent of world military expenditure. Militarily, the world is unequivocally unipolar.

Next we turn to the economy. Even analysts explicitly concerned with the security balance pragmatically observe that wealth can be used to purchase or produce weapons. Two power-transition theorists, A.F.K. Organski and Jacek Kugler, for example, have preferred GDP as the single best proxy for national power.[18] As discussed above, the four BRICs already figure among the top ten to fifteen economies, depending on the measure employed, and will likely move up this ranking in the coming decades. If economic size is the sine qua non of state power, then the BRICs will probably be new major powers by the early mid-twenty-first century.

Alternatively, one might construct an index combining several different types of power capabilities. The University of Michigan's Correlates of War (COW) Project has produced a long time series for their Composite Index of National Capabilities (CINC), whose six components are total population, urban population, iron and steel production, energy consumption, military personnel, and military expenditure. The index takes each country's share of the world in each of the six categories and averages them to compute the country's estimated share of total

16. "The Hobbled Hegemon," *The Economist*, June 28, 2007, online ed.
17. Brazil, overwhelming dominant in its neighborhood, has no need for a large military. See Sotero and Armijo in this special issue.
18. Organski and Kugler, *The War Ledger*, p. 45.

world material capabilities, as shown in *Table 3*. The table suggests several trends. First, the distribution of national material capabilities relevant to national power has become notably more diffuse and decentralized over the postwar period. While the countries represented in the table accounted for 75 percent of total world capabilities in 1955, their share had fallen to only 56 percent by 2001, more than half of which corresponds to the fall in estimated U.S. capabilities in the first three postwar decades. The dissolution of the Soviet Union also has a dramatic effect, causing that country's share of global capabilities to fall from 18 to only 10 percent. Nonetheless, the United States' supposed "unipolar moment" doesn't really show up as such: In 1991, the United States received a score of 14 percent of total world capabilities, as compared with 11 for China and 10 for Russia. By this index, the BRICs' total material capabilities were roughly equivalent to those of the G-5 as early as 1991. In 2001, the United States and China each count as great powers, with all other states far behind.

Table 3. Composite Index of National Capabilities (percent of world total)

	1955	1978	1991	2001
United States	27	14	14	15
Japan	5	5	5	5
Britain	5	3	3	2
Germany	4	3	3	3
France	3	2	2	2
G5	**42**	**27**	**27**	**27**
China	9	12	11	13
India	5	5	6	7
USSR/Russia	18	18	10	6
Brazil	1	2	2	3
BRICs	**33**	**37**	**29**	**29**
G5 + BRICs	**75**	**64**	**56**	**56**

Data from Singer, J. David, Stuart Bremer, and John Stuckey, "Capability Distribution, Uncertainty, and Major Power War, 1820-1965," in Bruce Russett, ed., *Peace, War, and Numbers* (Beverly Hills, Calif.: Sage, 1972), pp. 19-48. As updated in the National Material Capabilities Dataset, Version 3.02, accessed at www.correlatesofwar.org on August 2, 2007.

One could object that the COW Index, intentionally created to incorporate data series that are available back to the early nineteenth century, is anachronistic and unrepresentative of important dimensions of national capability at the turn of the twenty-first century. For example, there is no component measuring economic size, and the index includes only indirect measures of industrialization or technological sophistication. Income per capita, also excluded, could be an easy and fairly reliable proxy for technological development. All of the G-5 are, of course, high income, while Brazil and Russia are usually classed as middle-income states, and China and India as low-income states. Collecting data on scientific patents applied for, cell phone or Internet use per capita, or similar measures would yield results similar to the income per capita ranking.

Another arguably significant omission in the relative power index just presented is any mention of natural resource endowments. For example, access to water for both drinking and industrial uses may prove to be one of the defining issues of the twenty-first century. In this, the G-5, possibly with the exception of Japan, Russia, and Brazil, would all seem to be adequately- to well-endowed, while China and India will confront acute shortages, especially as global warming continues.

Energy capabilities are more difficult to compute, though *Table 4* reproduces some relevant indicators. All of the G-5 are vulnerable, though Britain, least so. Although the United States, China, and Russia are all large energy producers, Japan, Germany, and France import more than half of their domestic requirements. The United States, because it is so energy inefficient, also imports a third of its consumption. The United States can expect dramatically increased pressure from other countries, including the BRICs, to cut both its consumption and its carbon emissions, since these are wildly disproportionate to the U.S. share of world population.

The four BRIC countries have extremely varied energy profiles. Although China currently has low energy imports as a share of energy consumption, its government worries greatly about its future energy needs. This imperative drives much of China's foreign economic policy, as its rulers seek natural resource leases and long-term supply contracts from the Sudan to Venezuela. China's energy production and use are also pro-

Table 4. Energy Capabilities and Vulnerabilities

	% World Energy Production	Imports as % Energy Consumed	Population as % World	Consumption as % World	CO_2 Emissions % World	Emissions/ Population
U.S.	15	31	5	24	22	4.4
Japan	1	83	2	6	4	2.0
Britain	2	5	1	2	2	2.0
Germany	1	62	1	4	3	3.0
France	1	51	1	3	1	1.0
G5	**20**	..	**10**	**39**	**32**	**3.2w**
China	14	6	21	13	18	0.8
India	4	18	17	3	4	0.3
Russia	10	-80	2	10	6	3.0
Brazil	2	15	3	2	1	0.3
BRICs	**30**	..	**43**	**28**	**29**	**0.7w**
G5+BRICs	**50**	..	**53**	**67**	**61**	**0.9w**

Sources: IEA, *Key World Energy Statistics 2006* (Paris: International Energy Agency, 2006); and IMF, *World Economic Outlook 2006* (Washington, DC: International Monetary Fund, April 2006).

foundly dirty and inefficient. With 13 percent of world consumption, China accounts for 18 percent of emissions. China's total carbon emissions are only exceeded by those of the United States. Among the BRICs, India is the most energy-vulnerable, lacking both large fossil fuel reserves and the comparatively abundant land and water resources that make biofuel production attractive for the country of Brazil. India is also the country among the four with the lowest electricity use given its population size, and thus has the greatest pent-up demand.

Russia is a very significant energy exporter, accounting for 12 percent of world crude oil production and 22 percent of natural gas production. Exporting energy from all sources is equivalent to 80 percent of its home consumption. Russia's energy challenges have to do with avoiding the classic institutional problems of natural resource management. These challenges range from exchange rate overvaluation leading to deindustrialization via a scenario known as the "Dutch disease," to incentives for corruption and unsustainable economic populism.[19] Russia, like the

19. On the natural resource "curse," see Xavier Sala-I-Martin and Arvind

United States, consumes five times as much energy as its share of global population would predict. Some portion of Russia's energy consumption is related to its large-scale production of energy-related exports, but its overall energy profile suggests that engaging Russia in future energy conservation efforts could be problematic.

Finally, Brazil is relatively fortunate. Brazil receives an astonishing 83 percent of its energy from hydroelectric power, although it imports both petroleum and natural gas.[20] Brazil is also the world's major producer of both sugar and ethanol, and its comparative efficiency in biofuel production suggests major expansion possibilities for biofuel exports. Biofuels and combustible wastes currently account for about 11 percent of world energy use, as compared to 34 percent for oil, 25 percent for coal, and 21 percent for natural gas.[21] As international publics become more worried about global warming, interest in biofuels should rise, possibly to Brazil's advantage.[22] In general, to the degree that we incorporate an energy vulnerability dimension into a relative power calculation, Russia and Brazil look strongest, while China and India look weakest.

Another way to compare the G-5 and the BRIC countries is through their international financial power. By several significant measures, U.S. global financial hegemony has diminished in recent decades. We look first at the currency composition of total foreign exchange (FX) holdings.

The U.S. dollar no longer dominates central banks' holdings of official reserves to the extent that it once did. The dollar, which accounted for almost all FX reserves held by central banks in the early post-World War II period, fell to only about 55 percent of

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Subramanian, "Addressing the Natural Resource Curse: An Illustration from Nigeria," IMF Working Paper 03/139, International Monetary Fund, Washington, D.C.

20. World Bank, *World Development Indicators Online*, consulted September 2007 at www.worldbank.org. On Brazil's energy profile and promise see also Sotero and Armijo in this issue.

21. International Energy Agency, *Key World Energy Statistics 2006* (Paris: IEA, 2006), p. 6.

22. Not all biofuels are clean to produce or use, but Brazil's profile is relatively good on this dimension. See Sotero and Armijo in this special issue.

allocated official reserves by 1989. In the 1990s the U.S. dollar share of official FX reserves rose briefly, probably because of a "flight to quality" associated with global financial crises, by 1998 accounting for about 70 percent of the total. But from the turn of the century the dollar's structural decline began again. The U.S. dollar share in official FX reserves had fallen to 66 percent by the third quarter of 2005, while euro holdings rose to 24 percent, causing concern in Washington.[23] In addition, central banks today are a great deal more secretive about their foreign exchange holdings: In 1989 only 7 percent of reserves were reported as "unallocated" reserves, while by 2005, over 32 percent were.

A second indicator of global financial power is the country with a large hoard of cash and liquid financial assets. These are useful for protecting the home currency and economy against attack, intervening to staunch financial crises abroad, or threatening disinvestment or denial of access to home financial markets as a quid pro quo in interstate political negotiations. In recent decades, U.S. official holdings of other countries' currencies—the foreign exchange reserves held by the central bank—have diminished dramatically. At the end of the Second World War the United States held, by far, the largest share of global FX reserves, mainly the British pound and other Western European currencies, along with monetary gold. But there has been an enormous structural shift since about 1980. Today, although the U.S. economy accounts for 28 percent of world production, U.S. government holdings of official FX reserves represent only 1 percent of global reserves, as shown in *Table 5*. If FX reserves plus monetary gold are calculated instead, the U.S. share rises to 4 percent, still far inferior to that of either China or Japan at 21 and 18 percent, respectively; slightly less than either Taiwan and Korea with 6 and 5 percent each; and close to the shares of Russia, India, Singapore, and Germany, at 4, 3, 3, and 2 percent each.[24]

23. Barry Eichengreen and Donald J. Matthieson, "The Currency Composition of Foreign Exchange Reserves: Retrospect and Prospect," IMF Working Paper 00/131, International Monetary Fund, Washington, D.C., 2000, p. 20; Ewe-Ghee Lim, "The Euro's Challenge to the Dollar: Different Views from Economists and Evidence from COFER (Composition of Official Foreign Exchange Reserves) and Other Data," IMF Working Paper 06/153, International Monetary Fund, Washington, D.C., 2000, p. 17.

24. World Bank, *World Development Indicators*, consulted August 2007.

This share is hardly enough, one might imagine, to backstop the United States' accustomed role as global financial leader through its dominant positions in world markets, the G-7, the International Monetary Fund (IMF), the World Bank, and other fora for global financial governance.[25] In fact, all of the G-5 together hold only 21 percent of global FX reserves, while the BRICs control 35 percent.

Table 5. Financial Power, 2005 (percent of world)

	Foreign Exchange Reserves	Inward FDI, Stock	Outward FDI, Stock
United States	1.1	16.0	19.2
Japan	17.3	1.0	3.6
Britain	0.8	8.0	11.6
Germany	0.8	5.0	9.1
France	0.8	5.9	8.0
G5	**20.8**	**35.9**	**51.5**
China	23.8	2.0	0.4
India	3.4	0.4	0.0
Russia	5.8	1.3	1.1
Brazil	1.7	2.0	0.7
BRICs	**34.7**	**9.7**	**2.2**
G5 + BRICs	**55.5**	**45.6**	**53.7**

* FDI from UNCTAD, *World Investment Report 2006*. Figures for 2005.
* FX reserves from IMF Statistics Online, "Total Reserves Minus Gold." Figures for 2006.
* Memo: Eurozone FX reserves: 3.9; Developing Asia: 44.6.

Stocks of foreign direct investment (FDI), also shown in *Table 5*, are a third indicator of financial attractiveness (inward) and clout (outward). Though the G-5 countries continue to be the most attractive destinations for FDI, the BRICs' share has been increasing: China, Russia, and Brazil each has larger stocks of inward FDI than Japan. Outward FDI from multinational

25. On the political economy of global financial governance see Leslie Elliott Armijo, "The Terms of the Debate: What's Democracy Got to Do with It?" in Armijo, ed., *Debating the Global Financial Architecture* (Albany, N.Y.: SUNY Press, 2001).

firms based in the BRICs economies also has been growing, although the 52 percent of global FDI owned by the five wealthy democracies still dwarfs the 2 percent owned by the four BRICs. However, as FDI stocks cumulate slowly over time they are lagging indicators of power. Annual flows, not shown, reveal faster convergence.

Not surprisingly, there is an active debate over whether these structural global financial shifts matter. For example, one reason for the steady shrinking of U.S. foreign exchange holdings is American use of the seiniorage privilege enjoyed by the key currency country. When a country's home currency is in demand abroad as a store of value and for international transaction purposes, then that country can issue larger amounts than are demanded for domestic use. So long as foreigners are prepared to absorb dollars, the U.S. government can print, and spend, without restraint. Moreover, given the enormous investment of virtually all foreign central banks, not to mention their private business communities in dollar-denominated assets, a dramatic dollar devaluation is feared by all sovereign players—though not perhaps by terrorists. Essentially freed from foreign exchange constraints by its control of dollar seigniorage, the United States has become a major international debtor. The United States' enormous trade deficits are matched by equivalently large inflows of foreign capital as foreign central banks typically invest their dollars in U.S. Treasury securities. Harvard economists Ricardo Hausmann and Federico Sturzenegger assert that U.S. international accounts have been misunderstood and miscalculated and actually reflect great productivity and strength.[26]

But if the shift in measured holdings of foreign exchange reserves matters, then the new power holders are Japan, developing nations in Asia, and oil exporters. In early August 2007 brief, but real, global market turmoil followed China's announcement that it might begin to invest a small portion of its massive dollar reserves not in U.S. government securities, but rather in

26. Ricardo Hausmann and Federico Sturzenegger, "Global Imbalances or Bad Accounting? The Missing Dark Matter in the Wealth of Nations," unpublished paper, Kennedy School of Government, Cambridge, Mass., December 2005.

higher-yielding though riskier private securities, including corporate equity and bonds.[27] Governments in Asia and the Middle East, prominently including China, are estimated to control $2.5 trillion in these new investment vehicles known as sovereign wealth funds (SWF).[28] Although it was the U.S. treasury secretary and other American financial officials who played leading roles in the financial crises of the 1990s, could China and other developing countries, along with Japan, hold a preponderance of the financial cards in years to come? The largest holders of SWFs include one oil-producing advanced industrial country (Norway), three Middle Eastern members of the Organization of Petroleum Exporting Countries, OPEC (United Arab Emirates, Saudi Arabia, and Kuwait), and three emerging market economies (Singapore, China, and Russia). Some estimate that sovereign wealth funds could reach $10 trillion in ten years. "At that size, 'they are the global financial system,' says former IMF chief economist Kenneth Rogoff."[29]

This section thus far has examined the category "the BRICs countries" in the light of a realist framework emphasizing the relative power of individual sovereign states. China looks quite consequential, India and Russia somewhat less so, and Brazil still less so. However, the order depends significantly on the specific metric employed. We conclude that it is certain that China is or soon will be a major power, eventually second only to the United States, and it is reasonable to anticipate that the other three also soon could be major powers.[30] On several relevant dimensions, each of the four soon will outstrip the traditional Western European allies of the United States—although this judgment would change dramatically if the Western European countries were to move toward closer

27. Richard McGregor, "China Affirms Dollar's Global Reserve Status," *Financial Times*, August 13, 2007; see also Jeffrey Garten, "We Need Rules for Sovereign Funds," *Financial Times*, August 8, 2007.
28. Tony Barber and George Parker, "EU Demands More Transparency over Sovereign Fund Investments," *Financial Times*, September 28, 2007.
29. Bob Davis, "How Trade Talks Could Tame Sovereign Wealth Funds," *Wall Street Journal*, October 29, 2007, p. A2.
30. For a provocative corrective to worries that China is quickly catching up to the United States in overall capabilities, see Steve Chan, "Is There a Power Transition Between the U.S. and China? The Different Faces of National Power," *Asian Survey*, vol. 45, No. 5 (2005), pp. 687-701.

political union. Though the United States remains overwhelmingly first among equals, multipolarity is increasing.

Implications of a Multipolar System

Our second question for this section concerns the likely systemic consequences of rising multipolarity, including a new set of challenger countries, from within a realist understanding. We begin by reminding ourselves of how many realists understand the status quo. Some propose that the break up of the Soviet Union, and Russia's economic and military weakness, generated unipolarity in the international system. In 1990 Charles Krauthammer wrote: "It has been assumed that the old bipolar world would beget a multipolar world with power dispersed to new centers in Japan, Germany (and/or "Europe"), China, and a diminished Soviet Union/Russia. . . . The immediate post-Cold War world is not multipolar. It is unipolar. The center of world power is an unchallenged superpower, the United States, attended by its Western allies."[31] A decade later he emphatically reasserted his thesis:

> When I first proposed the unipolar model in 1990, I suggested . . . that, if America did not wreck its economy, unipolarity could last thirty or forty years. That seemed bold at the time. Today it seems rather modest. The unipolar moment has become the unipolar era. It remains true, however, that its durability will be decided at home. It will depend largely on whether it is welcomed by Americans or seen as a burden to be shed.[32]

Neoconservative foreign-policy analysts, including Krauthammer, thus pronounced the U.S. ability and duty to lead, which they expected to last decades into the future. The initial years of the twenty-first century have been a period of American self-assertion, as illustrated by the activist foreign policy of U.S. President George

31. Krauthammer, "The Unipolar Moment," *Foreign Affairs*, vol. 70, No. 1 (1990/1991), p. 31.
32. Krauthammer, "The Unipolar Moment Revisited," *The National Interest*, No. 70 (Winter, 2002/2003), p. 17. For a counter-argument that nonetheless relies on an essentially realist logic see Christopher Layne, "The Unipolar Illusion Revisited: The Coming End of the United States' Unipolar Moment," *International Security*, vol. 31, No. 2 (Fall, 2006), pp. 7-41.

W. Bush. But if China or others of the BRICs might be catching up, then the realist perspective gives reason to be concerned—or relieved—at the imminent demise of America's unipolar moment. Some realists suggest that a period of particular danger for interstate war occurs when the former hegemon is declining and a new one rising.[33] Tellingly, however, many realist analysts worry about the emergence of China—and the reemergence of Russia—as major powers in the current century, but seem unconcerned about Japan, India, and Brazil. Perhaps this is because China and Russia appear to pose a greater military threat, as both are long-declared nuclear states with large standing armies.

But there is more to the argument than simply a concern over rising material capabilities among countries that were weak following the Second World War. What many realist scholars actually fear is the rise of a powerful anti-Western and anti-liberal values coalition, led by China but possibly also including Russia. Two expressions of this fear follow here:

> What is emerging is a "World Without the West." This world rests on a rapid deepening of interconnectivity within the developing world—in flows of goods, money, people and ideas—that is surprisingly autonomous from Western control . . . . The rising powers have begun to articulate an alternative institutional architecture . . . [that] proposes to manage international politics through a neo-Westphalian synthesis comprised of hard-shell states . . . Inviolable sovereignty in the World Without the West rejects key tenets of "modern" liberal internationalism and particularly any notion of global civil society or public opinion justifying political or military intervention in the affairs of the state.[34]

> China and Russia represent a return of economically successful authoritarian capitalist powers, which have been absent since the defeat of Germany and Japan in 1945, but they are much larger than the latter two countries ever were. . . . As it was during the twentieth century, the U.S. factor remains the greatest guarantee that liberal democracy will not be thrown on the defensive.[35]

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33. For example, Ronald L. Tammen, "The Impact of Asia on World Politics: China and India Options for the United States," *International Studies Review*, vol. 6 (2006), pp. 563-80.
34. Nazneen Barma, Ely Ratner, and Steven Weber, "A World Without the West," *The National Interest*, vol. 90 (July-August, 2007), pp. 23-24, 25, 27.
35. Azar Gat, "The Return of Authoritarian Great Powers," *Foreign Affairs*,

The result of the end of America's unipolar moment, in other words, may be the opportunity for a China-centered authoritarian yet increasingly capitalist bloc, with Russia left to decide on pure power-balancing criteria whether it wishes to fortify itself vis-à-vis the West (thus looking to the East for alliance partners) or China (thus cautiously turning West).[36] But let us return to the mental model of realism. A pure realist framing suggests that rational alliance choices in a nonhierarchical system are made solely on the basis of countries seeking to prevent one unit (country) or alliance system from attaining sufficient capabilities to pose a plausible threat to other units. One may thus wonder why China is perceived by many analysts throughout the advanced industrial democracies as unusually threatening given that any conceivable military threat from China is at best several decades in the future. What probably has happened is that, once again, some analysts' intuitions about what matters in the international system have outrun their conscious mental model, a point to which I return below.

A Summary Evaluation

This section began with two queries. We asked whether it was reasonable to imagine that, in purely material capability terms, any or all of Brazil, Russia, India, and China could, by the mid-twentieth century, be considered "major powers." A variety of evidence suggests that by this criterion first China, then India and Russia, and then Brazil all would be indisputable members of the set of the top five to seven major powers—at the latest approximately three decades hence.[37] We also questioned how

vol. 86, No. 4 (July-August, 2007), pp. 59-69. Quotation is from an unpaginated version at http: // web.ebschohost.com.

36. The description of China as an emerging "authoritarian capitalist" power is controversial. The Chinese government describes its economic system as "socialist market."

37. The analysis also assumes that major countries of Western Europe will not decide to push for tighter political union, complementing their current monetary and economic integration, in order to preserve their current level of global influence. On how key non-BRICs countries might react to the rise of the BRICs, see the papers by Brawley, Laurence, and Lee, Ma, and Park in this special issue.

and why a shift in the identities of the major powers might matter for the conduct of the global political economy. We identified widespread unease with the relative rise of China, in particular, but then went on to argue that the reasons for analysts' discomfort with the image of a powerful China seemed to spread beyond the confines of the realist model. In other words, the actual concerns appeared to touch on issues of political institutions and values, and the domestic political characteristics of states. Allowing these analytical dimensions moves the debate decisively to the terrain of our third model.

Liberal Institutionalism and the BRICs

Our final perspective on the concept of "the BRICs" is that of *liberal institutionalism*, which we here define very broadly to encompass all of the schools and sub-schools of international relations that assert that institutions, and/or ideas and values (whether domestic, transnational, or international), may concretely influence international outcomes.[38] The liberal-institutionalist model begins from a realist, balance-of-power framing, but then makes crucial additional assumptions disallowed within a strictly realist model.

The Diverse Sources of Power and Influence

For starters, most liberal institutionalists would expand the definition of "power" to allow for "soft" as well as "hard" capabilities in assessing the relative power of states.[39] If citizens of other countries wish to attend university in your country, speak your national tongue, watch your movies, emigrate to your country, or identify their political institutions or cultural values as being like yours, then your country has soft power. Hard-power capabilities, ranging from military might to a large

38. We include within a single paradigm theorists sometimes separated into "neoliberals" (in the international relations sense), "institutionalists," and "constructivists." See Brawley in this volume.
39. See Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs Press, 2004).

domestic market, may enable a country to employ constraints (military threats) or inducements (market access) to gain the cooperation of others. In contrast, the use of soft power relies on persuasion and the desire for emulation to inspire cooperation. Soft power inheres in a country's reputation—for political stability, economic growth, trustworthiness in diplomacy, or public-spiritedness in managing international institutions. Reputation, or world public opinion, is a different kind of relative-power indicator, and one that arguably incorporates both hard and soft power components. Germany's Bertelsmann Foundation recently queried a wide sample of respondents from nine countries on which countries and major international organizations they perceived as world powers, both today and in the near future. *Table 6* summarizes their findings. The only two countries that 50 percent or more of respondents expect to be great powers in 2020 are the United States and China.

Table 6. Which Countries or Organizations are/will be World Powers?* (percent of all respondents who select)

	Today	In 2020
United States	81	57
Japan	37	32
Britain	33	30
Germany	26	22
France	21	20
European Union	32	26
China	45	55
India	12	16
Russia	27	24
Brazil	5	10
South Africa	4	6
United Nations	26	23

* Global percentage calculated as unweighted mean of country averages.

Source: "World Powers in the Twenty-First Century: The Results of a Representative Survey in Brazil, China, France, Germany, India, Japan, Russia, the United Kingdom, and the United States," Berlin, Bertelsmann Foundation, June 2, 2006, online at www.bertelsmann-stiftung.de/bst/en/media/xcms_bst_dms_19189_19190_2.pdf.

But the critical differences of the liberal-institutionalist mental model as compared to the realist framing go beyond simply allowing soft components of power into our assessment of the relative ranking of states in the global system. First, liberal institutionalists (sometimes called neoliberal institutionalists, or simply institutionalists) typically believe that in addition to states' relative capabilities, the incentives and opportunities created by international institutions influence state choices and global outcomes. States are not the only significant actors in international relations. Under certain conditions, international governmental organizations (IGOs)—or even less-formalized but well-accepted global "regimes" of shared expectations—may enmesh rationally suspicious sovereign states in mutually beneficial relations of reciprocity and trust.[40] Interstate diplomacy poses countless pressing problems of collective action, defined as one party making itself vulnerable by acting cooperatively. Yet, mutual cooperation produces a better outcome for all. Examples range from pollution control to disarmament. Liberal institutionalists posit that both formal IGOs and less-formalized global regimes that mix state-to-state diplomacy with transnational private cooperation and monitoring have measurably and mostly positively altered international relations. This has been particularly true in the six decades following the last major power war, World War II. For example, regular and mutual arms verification reduces the incentives for arms races, making accidental war less likely. Membership in international economic organizations such as the World Trade Organization (WTO) facilitates trade, contract enforcement, and economic growth.

Second, many liberal institutionalists would take further theoretical steps and assert that domestic institutions and/or ideas and values also influence state choices and international outcomes.[41] For example, democratic peace theory suggests that

40. Robert O. Keohane, *Power and Governance in a Partially Globalized World* (London: Routledge, 2002); Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, N.J.: Princeton University Press, 1983); Andreas Hasenclever, Peter Mayer, and Volker Rittberger, *Theories of International Regimes* (Cambridge: Cambridge University Press, 1997).

41. Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organization*, vol. 51, No. 4 (Autumn,

pairs or dyads of democratic states are better able to surmount the barriers to mutual trust and cooperate voluntarily across borders than are dyads in which at least one state is authoritarian.[42] One proposed mechanism by which democratic dyads build relations of mutual trust turns on democratic countries' relatively transparent and slow-moving domestic policy processes. With so many potential veto players in democracies, sudden policy reversals are extremely unlikely. Democratic leaders also are said to be less capable than autocrats of initiating an unprovoked surprise attack on an ally, simply because democratic publics cannot mentally re-categorize an erstwhile friend as a "rogue state" overnight. The costs of breaking international agreements are thus higher for democracies.[43] Other analysts emphasize a democracy's allegedly "dovish" value of settling disputes peacefully and its related commitment to humanitarian and universalistic norms.[44] According to this "constructivist" variant of liberal institutionalism, the values held by citizens and their leaders can alter state choices. Altering may help to create or maintain enduring and consequential international institutions that structure the incentives to and preferences of future state leaders and democratic publics.

The institutionalist mental model thus asks not only what material capabilities the BRICs possess, but also what they and their leaders want. A liberal institutionalist asks whether a possible new G-7—perhaps the United States, Japan, the four BRICs, and the European Union as a collective voice—in the mid twenty-first century would be likely to alter the character of international institutions and global cooperation. This framing reveals that there are two distinct subsets of BRICs: the mostly authoritarian

1997), pp. 513-53; Audie Jeanne Klotz, *Norms in International Relations: The Struggle Against Apartheid* (Ithaca, N.Y.: Cornell University Press, 1999).

42. Michael E. Brown, Sean M. Lynn-Jones, and Steven E. Miller, eds., *Debating the Democratic Peace* (Cambridge, Mass.: MIT Press, 1996).

43. Brett Ashley Leeds, "Domestic Political Institutions, Credible Commitments, and International Cooperation," *American Journal of Political Science*, vol. 43, No. 4 (October, 1999), pp. 979-1002.

44. Zeev Maoz and Bruce Russett, "Normative and Structural Causes of Democratic Peace, 1946-1986," *American Political Science Review*, vol. 87, No. 3 (September, 1993), pp. 624-38.

emerging powers, China and Russia, and the securely, if sometimes chaotically, democratic ones, India and Brazil.

China and Russia

We noted above the fears of many ostensibly realist analysts over the possible rise of an anti-liberal values coalition. Within a strict structural-realist framework where only the interstate balance of power matters, this fear is illogical.[45] But once we admit that domestic institutions and goals might shape international alliance preferences we are in the institutionalist/cognitivist/neoliberal domain. We shall assume that both China and Russia are accurately described today as authoritarian states. Will such states, once they become major powers, be likely to respect and expand the existing, and mostly liberal, network of global governance institutions?

There are two possibilities. Authoritarian leaders might be expected to value interstate cooperation on practical matters involving non-zero-sum threats to collective economic and physical security: disease prevention, protection of international shipping from piracy, and perhaps control of clandestine human, drugs, and weapons trafficking. But they are unlikely to favor international promotion of democratic values and processes: human rights, labor rights, and a free press and electronic media. The tenor of authoritarian countries' participation in international regimes governing such subjects as trade, finance, climate change, and arms control should fall somewhere in between the extremes of willing cooperation and covert obstructionism. With Chinese and Russian leaders probably supportive of the goals of global economic governance but much less willing than democracies to open their domestic institutions to supranational inspection or oversight, they are probably very suspicious that they will be asked to sacrifice disproportionately.[46]

45. See Waltz, *Theory of International Politics*.

46. For example, a recent attempt at U.S.-Chinese bilateral cooperation over manned space satellites ended abruptly when the U.S. representative was denied access to Chinese human spaceflight training facilities. Guy Gugliotta, "New Challengers Emerge, Threatening to Take the Lead," *New York Times*, September 25, 2007.

Meanwhile, Western analysts probably have underestimated the soft power of China and Russia, each of which has long and heroic imperial histories.[47] Both China and Russia have been active in constructing IGOs that they dominate.[48] As authoritarian major powers arise, the wealthy democracies also may participate less in international regimes, judging that their counterparts in Beijing and Moscow, as compared to those in London or Paris, are less constrained by domestic veto players and mass public opinion from acting capriciously. Due to this, they cannot fully be trusted. In sum, the inclusion of authoritarian countries as major powers may not necessarily signal an overt retreat from intergovernmental cooperation, but it is also unlikely to inspire its rapid expansion.

The other possibility, which many liberal institutionalists believe likely, is that participation in global governance will promote liberalizing domestic change within authoritarian polities. This is the political convergence thesis.[49] As citizens become wealthier and better educated, they also will expect more choices and more freedoms; political democracy will become more attractive. Both case studies and econometric investigations demonstrate a high correlation between high levels of income per capita and stable democratic politics, although the precise causal link remains contested.[50] By a similar logic, constructive engagement of today's democratic major powers with rising authoritarian

47. On the attractiveness of China in Africa today, see Liang in this issue.
48. See the articles by Hancock and Liang in this special issue.
49. On the attractiveness, or even inevitability, of liberal democracy and market capitalism, see Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992); Michael Mandelbaum, *The Ideas that Conquered the World: Peace, Democracy, and Free Markets in the Twenty-First Century* (New York: Council on Foreign Relations, 2002). Fukuyama, however, has recently argued that heedless international behavior by a hegemonic liberal democracy may undermine the attractiveness of its domestic political and economic systems. See his *America at the Crossroads: Democracy, Power, and the Neoconservative Legacy* (New Haven, Conn.: Yale University Press, 2007).
50. See Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1993), especially chaps. 1 and 2; Adam Przeworski, Michael Alvarez, Jose Cheibub, and Fernando Limongi, *Democracy and Development* (Cambridge: Cambridge University Press, 2000).

states should promote political convergence on liberal democracy. In 1997 the Group of Seven (G-7), sometimes referred to as the rich countries' club, took the unprecedented step of expanding its membership to include Russia, arguing that it was a "major power" with a right to be included. Those who pushed for inclusion of Russia hoped to support and strengthen liberal, pro-Western political forces within the country. Whether G-8 membership has successfully compensated Russia for the West's provocative decision to expand the North Atlantic Treaty Organization (NATO) eastward remains an open question.

More recently the hopes of liberal institutionalists have centered on China. Hempson-Jones argues that China's participation in IGOs has softened its practice, if not its official rhetoric, and that the former is a more important clue to its future behavior.[51] China has gradually reduced its resistance to UN peacekeeping missions. In August 2007 China backed down from its steadfast opposition in the UN Security Council to a peacekeeping mission in Darfur, the site of massacres acknowledged by most observers to be genocide tacitly endorsed by the Sudanese government. This occurred despite Beijing's close ties with Sudan and significant natural resource investments there. China, though not a formal member of the Association of Southeast Asian Countries (ASEAN), is a large presence in its discussions and a participant in several parallel processes involving its East Asian neighbors. According to some analysts, China has learned from discussions with its sovereign partners, occasionally modifying its policy positions. Since 2003 China has found common ground with other developing countries through its recent, though modest, participation in the G-20 group formed to lobby the advanced industrial countries to liberalize agricultural trade. Li argues that returned foreign students have brought foreign liberal values home.[52]

Yet it would be foolish to conclude that mere willingness to

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51. Justin S. Hempson-Jones, "The Evolution of China's Engagement with International Governmental Organizations: Toward a Liberal Foreign Policy?" *Asian Survey*, vol. 45, No. 5 (2005), pp. 702-21. See also Liang's article in this volume.
52. He Li, "Returned Students and Political Change in China," *Asian Perspective*, vol. 30, No. 2 (2006), pp. 5-29.

participate in numerous international agreements means that an autocratic state will allow itself to be constrained in its behavior by those agreements. China's neighbors, prominently including India, struggle to assess the credibility of China as an economic and political partner.[53]

India and Brazil

A liberal institutionalist also would ask what India and Brazil might want from global governance. Democratic peace theory predicts greater mutual trust between state dyads in which both countries are democracies. India and Brazil should be skilled at peaceful interstate cooperation for the same reasons that the United States, France, or Japan are skilled. The commitments of politicians are relatively credible, since abrupt shifts in policy will be difficult to explain to voters. Moreover, both India and Brazil have demonstrated considerable soft power, or attractive and persuasive international capabilities. For example, India was a leader in both the Non-Aligned Movement of the 1950s through the 1970s and the New International Economic Order of the 1970s and early 1980s, each of which might have found greater long-run success had more of their members been democracies like India. More recently, Brazil and Argentina have improved their relations dramatically since both have democratized. If some democracies that are major powers (the European members of today's G-7) are substituted for by other newly powerful democracies (such as India and Brazil), then we may expect global governance institutions, overarching liberal values, and *processes* to remain much the same.

Nonetheless, some of the *content* of global governance initiatives could shift in response to weightier participation from developing country democracies. Like France or Britain, India and Brazil should value human rights, labor rights, and a free press. But leaders of India and Brazil may view global redistribution more favorably than leaders of the wealthy democracies. For example, climate change is an issue on which both Brazil and India have implemented domestic reforms and could be global leaders, but the substance of their leadership could make

53. See Rusko and Sasikumar in this volume.

today's G-7 uncomfortable. Both democratic BRICs will side with other developing countries in demanding much greater conservation efforts from the United States, Japan, and the European Union, rather than from countries whose peak industrial push remains ahead of them. Indian and Brazilian politicians and nongovernmental organization (NGO) activists also have been active in South-South diplomacy. Both countries have played host to the World Social Forum (WSF), the anti-Davos meeting, the original idea for which came from a Brazilian businessman and social activist, Oded Grajew.[54]

Anti-AIDs activists in the two countries have begun transnational collaborations, sharing ideas and pressuring their governments to insist on their rights to manufacture generic versions of expensive pharmaceuticals developed in the wealthy democracies. In 2003 Brazil joined India and South Africa in issuing the Brasilia Declaration, which announced the three democracies' intent to negotiate jointly within the WTO. This core became the Group of 20 (G-20, also known as the G-22) developing countries. They came to world attention during the Cancun ministerial meeting of the WTO by its refusal to negotiate over liberalizing the regulation of inward foreign direct investment until the advanced industrial countries committed to substantial agricultural trade liberalization.[55] What is particularly interesting in the Brazil-India-South Africa cooperation is that the three have been able to cooperate despite their lack of closely parallel interests in agricultural and other commodity trade. Contrast this with the utter inability of developing, debtor countries in Latin America and elsewhere to form a united front vis-à-vis creditor country banks and governments in the 1980s, a period when many were either autocracies or very new and fragile democracies.

This section thus has argued that a liberal institutionalist framing leads us to ask the most interesting questions about *how* and *why* a substitution of countries within the set of major powers

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54. See Gilberto Nascimento's interview with Grajew in *Isto E*, December 12, 2000.
55. Marcio Botelho, "The G-20: Aims and Perspectives of a New Trade Alliance," M.A. thesis (Berlin: University of Applied Sciences, 2005); Andrew Hurrell and Amrita Narlikar, "A New Politics of Confrontation? Brazil and India in Multilateral Trade Negotiations," *Global Society*, vol. 20, No. 4 (2006), pp. 415-33.

might alter global politics. However, at the same time, the concept of "the BRICs" as a single useful analytical set is shattered. Instead, what appears to be most significant is whether the large emerging powers, whichever they may be, can be socialized into the hitherto cozy club of large industrial democracies. These democracies, dominated by the United States, have more or less cooperatively managed the interlocking global governance regimes since the last world war.[56] If the large emerging powers become both status-quo powers, interested in preserving existing global governance institutions, and more or less open, liberal societies, then the world may not miss U.S. hegemony all that much. If not, then the maintenance of mutually beneficial, yet purely voluntary, interstate cooperation founded on reciprocal trust becomes significantly more problematic.

Conclusions

This article has asked whether the term "BRICs countries" is a viable analytical category. The four do not share domestic political institutions, international goals, or economic structures and challenges. If the category, nonetheless, provides insight, it must be because this set of countries holds similar implications for the larger *system*—the international political economy—within which it is embedded.

I considered the concept from three alternative systemic perspectives. I began with an economic liberal's framing, a model that assumes the international economy is neither oligopolized nor highly politicized, but rather functions as a decentralized free market most of the time. From this perspective, the BRICs' economies would be an analytically viable set if they offered usual opportunities for foreign portfolio and direct investors. Additionally, if their multinational firms could be expected to be

56. On the ways in which liberal global governance regimes have also served the parochial interests of the major powers, see especially Lloyd Gruber, *Ruling the Waves: Power Politics and the Rise of Supranational Institutions* (Princeton, N.J.: Princeton University Press, 2000); and William K. Tabb, *Economic Governance in an Age of Globalization* (New York: Columbia University Press, 2004).

ferocious competitors in the future or if some other economic characteristic plausibly distinguished the four from the larger set of developing and post-communist countries known as emerging market economies, they could be considered an analytically viable set. I found this claim unconvincing. In fact, a look at the business literature suggests that the core proposition even among scholars is simply that the BRICs' economies will be large and therefore must be important—as markets, investment destinations, and competitors. Economic liberals who are logically consistent should care about factors such as the quality of national economic governance within emerging market economies. In contrast, a concern with relative size—and thus relative *power*—implicitly transports us to the cognitive territory of political and economic realism.

A realist approach suggests that advanced industrial countries whose relative international position may be slipping are justified in fearing the rise of the BRICs. Moreover, within a pure balance-of-power mental model for interpreting trends in the international political economy, the structure of relative material capabilities among units or countries shapes systemic outcomes: The end of American hegemony may undermine global stability. Yet there is more to be said. In particular, the realist model is unclear about why Japan or Germany, enemies of the United States (and the liberal democratic "West") within living memory, are universally perceived today as reliable Western allies, while China and Russia arouse enormous suspicion. To understand, we need a liberal institutionalist's perspective. Plus, we need the additional proposition that democratic states may be more supportive than autocracies of existing institutions of global economic governance, and of evolving political cooperation around liberal values autocracies. Ultimately, it is uncertainties about the likely future balance between democratic and authoritarian major powers that should make a focus on the relative rise of the BRICs countries compelling for analysts of both international business and world politics.

If China and Russia become major powers that are authoritarian, albeit marketized, then the net tenor of global governance will revert to being more Westphalian, as sovereign states increasingly shy away from even mild criticism of one another and abjure "interference" within one another's borders. In contrast, the relative rise of liberal democratic states such as India and Brazil portends that ideals of secular universalism, religious and ethnic tolerance, and universal human rights will continue to spread, however gradually and imperfectly. We also should expect Indian or Brazilian integration into the club of the powerful to push global negotiations in areas such as climate change, or the international trade and investment regimes, toward somewhat more globally redistributive bargains. This does not, of course, mean that either India or Brazil will put the interests of the poorest countries, many of which are in sub-Saharan Africa, above those of their own citizens, any more than today's wealthy democracies have been willing to sacrifice their comforts or agricultural subsidies for the sake of Indians, Chinese, or Brazilians. Ultimately, our expectations of how these four new players might behave suggest two distinct subsets, one authoritarian and the other democratic. The category of "the BRICs" is thus, strictly speaking, a mirage—but one that nonetheless has provided considerable insight. For the present, perhaps we should keep it.

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