SHIFTING POWER

Critical perspectives on emerging economies

TNI WORKING PAPERS

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CHAPTER ONE

EMERGING POWERS

RISE OF THE SOUTH OR A RECONFIGURATION OF ELITES?

ACHIN VANAIK

Emerging powers: Rise of the South or a reconfiguration of elites?

ACHIN VANAIK*

That we are in the midst of an ongoing historical process whereby certain powers in the South are clearly rising and will exercise growing weight in the wider comity of nations is self-evident. The more obvious candidates include China, India, Brazil, South Africa which have come together in such formations as BRICS, BASIC and IBSA as well as others such as Turkey, Indonesia, Argentina, Mexico, South Korea, Egypt, Iran and perhaps Saudi Arabia and Nigeria. Russia, as much an Asian as a European power also merits inclusion in the category of the 'Emerging South'. But how much change in the existing patterns of geo-political and geo-economic relations will the rise of these countries bring? Any effort at reasonably intelligent yet cautiously controlled speculation about future developments should confine itself to a limited time span of not more than say, the next 20 years.

And just how should this 'rise up' be measured? Furthermore, does the selective rise of some countries means that the weight and power of the South as a whole will rise up? That is to say, are these Emerging Powers going to take the lead in altering existing patterns of global governance in ways that will benefit all the Southern countries and their populations? Or will such selective elevation of some nations lead primarily to greater social and class differentiations within the major countries of the South and to a greater distance between them and the rest of the developing countries? If so, will this not mean a "North' emerging within the South? Will this new 'North' of various elite dominated regimes somehow be able to work together against the older North to shift power relations significantly towards itself? Or will its individual country components be more preoccupied with prioritising their relations with the power centres of the North and with the existing governing institutions that serve their interests, than with forging ever closer relations with each other? These are some of the issues that this chapter will aim to address with whatever illumination can be obtained from certain quantitative statistical indicators about how things stand at this time.

It is not the case that the South as a whole is rising up. Emerging Powers rather than an 'Emerging South' is the proper characterisation, where this 'rise' is measured by standard indicators concerning the economy and demography and compared with similar indicators for the advanced and industrialized societies (See Chart 1). But even here it is only a handful of countries that really count and which might be expected to challenge the exiting geo-economic and geo-political order, especially if they were to get their act together. Hence, the new and closer attention being paid to groupings such as BRICS, IBSA, BASIC and the G20; and to one undoubtedly rising country, China as a potential superpower of the future capable of standing up to the US. In this respect it might in the future play the role that the Soviet Union once did but with an economy not having the same kind of structural weaknesses and possessing a cultural homogeneity that makes Chinese nationalism the kind of enduring territorial glue that the USSR never had.

WHAT ABOUT *BRICS*?

Leaving aside the minor outliers of North Korea and Cuba, the collapse of the Soviet bloc and the Chinese turn (followed by Indochina's Communist states) towards the establishment of an essentially capitalist economy has created for the first time ever a truly capitalist world order. The great economic success stories of China and the ASEAN means that the centre of gravity of the world economy has shifted, or will very soon shift, towards the Pacific from either side of the Atlantic where it lay for close to 500 years. Besides East Asia, India has since the 1980s witnessed respectable average annual growth rates of 5 to 6 per cent accelerating

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to around 8 per cent after 2003 before seeing a slow down due to the Great Recession of 2008 to 2011/12. The petro-economies of West Asia have done well and South Africa and Brazil have also done well by average global standards. The downturn since 2008 was really the first genuinely global recession but the BRICS countries did noticeably better than the major economies of NATO and Japan (See Table 1).

Of course, in the last three decades and more of neoliberal globalisation, inequalities of income and wealth have risen faster than ever before in history. This means that even as the size of the global 'middle class' is growing substantially, the ratio of incomes and wealth of the top quintile to that of the bottom quintile of the world's population has grown to unprecedented and obscene levels. But then capitalist development is always uneven and combined! The job of capitalism is to reproduce capital on an ever-expanding scale and to secure an unending and constant flow of profits through pursuit of unending growth, not to put an end to mass poverty or significantly reduce relative inequalities or to guarantee ecological balance and sustainability. These are always side issues to be addressed with greater or lesser success by national governing elites and by institutions of global governance once they have met their primary goal of promoting the wealth and prosperity of a small minority of upper classes. To stabilise such an order also requires that the main social base of the ruling minority – the middle classes – grow absolutely if not relatively, and have some share of the wealth produced.

It is here that the South economically becomes of *increasing* importance to global capitalism. Northern based TNCs, the governments that succour them, and the elites that now recognize that capitalist globalisation is necessary for their own continued prosperity, all need the expanding markets provided by an expanding 'global middle class'. With the partial exception of the US, Canada, Australia that remain immigrant societies, it is the South, especially the bigger more populated countries that are now taking up the baton of rising middle class growth. There are different definitions of what constitutes the middle class and its growth pattern. Table 2 is derived from the international economics section of *The Carnegie Papers* released in mid-2012 by the Carnegie Endowment for International Peace which uses one such measure prepared by the authors, U. Dadush and S. Ali. While this tells us about the BRICS countries and a few other Southern ones, it doesn't cover the advanced countries. Nevertheless, using another indicator for the latter (see www.huppi.com/kangaroo/8Comparison.htm) which defines middle-class income as lying in the range from 33 per cent below the median income level to 50 per cent above that median level of that particular country's distribution pattern, we get the following results which appear roughly accurate. Japan has a middle class comprising 90.0 per cent of the population, Germany 70.1 per cent, UK, 58.5 per cent and the US 53.7 per cent. The size of the working poor and underclass will be considerably greater in the UK and US than in Germany and Japan but it is the remaining minority of the rich and very rich that lies *some distance above the sum* of the middle class and the strata below, that really holds power in that country and to whose interests these governments are most attuned. Germany has a stronger welfare state and Japan a more egalitarian distribution of income than the UK and US, but here too it is the very small layer at the very top that reigns.

As for the BRICS group of countries, South Africa and Brazil are among the most unequal societies in the world. China's Gini coefficient has also steadily risen, along with Russia's, while India's Gini coefficient (calculated as it is on surveys of consumption expenditure and not on more reliable income data) is widely recognised to be a serious underestimate. In any case, rising inequalities of income and wealth have been characteristic of India's lopsided growth pattern over the last five decades, accelerating after the neoliberal reforms of 1991. It is hardly surprising then that the number of dollar millionaires and billionaires is growing rapidly in the South (See Table 3). To make matters worse, Brazil, China and India are major land grabbers in Africa, and South Africa serves more as a useful entry point for foreign capital to extract resources from the continent than as some kind of bulwark protecting against such ravages. Indeed, it is itself involved in such activities. So much for BRICS 'leading the charge' against Northern exploitation of Africa (See Table 4 and Graphs 1 and 2).

According to Table 5, the members of BRICS, with the exception of Russia, have today a greater proportion of youth than in the advanced countries. However by 2050 it is projected that this gap will disappear, or in the case of South Africa and India be much reduced. But does this mean that between now and 2050 the fast growing number of yearly new entrants into the national job market is going to prove an economic asset?

Not necessarily; indeed, there are reasons to worry about the future performance of the Emerging Powers. As it is, per capita income levels of BRICS (and of other 'emerging powers' like Mexico, Indonesia, Turkey) are currently way behind those of the OECD countries (only South Korea has entered the OECD club). In fact, it is simply not ecologically or materially possible (in terms of resource and energy use) for the per capita levels of even the BRICS and other 'high flyers' to come anywhere close to average per capita levels of the most prosperous OECD countries.

This means, given that the per capita figures are averages hiding gross inequalities, that their relatively lower levels in the future will continue to generate mass discontentment and impoverishment. This is particularly true now where the communications revolution has made it possible for even the world's poor to know how deprived they are compared to the wealthy in their own societies. It was comparative dissatisfactions rather than absolute levels of economic deprivation that helped fatally undermine the Soviet system. In the South, both relative deprivation and absolute immiseration are in all probability going to persist widely enough to make possibilities of intra-South cooperation more difficult, and will be a source-bed for anger to erupt against ruling elites – witness the 'Arab Upheavals' of recent times.

The historical pattern of capitalist industrialisation in the West and Japan was accompanied by the kind of urbanisation and employment generation there that led to the decline of the rural population and peasantry to the point that it constitutes, at most, between 2 to 8 per cent of the overall population. For countries like Brazil, India, China, Mexico the rural population is currently a majority. In due course this may well become a minority, but a significant one well above the proportions now prevailing in the earlier industrialising countries. Even in other countries of the South where urbanisation has been proportionately greater, the informal sector continues to comprise a very large part of the growing urban slum population. The ICT revolution has been a major factor in reducing the employment elasticities of output worldwide. Rising capital intensity even in agriculture means higher levels of unemployment, low productivity, low pay, more part-time work, longer working hours, greater job insecurities and thus a greater proportion than ever of the working poor.

The historic development of an organised and unionised labour force in Western Europe as the accompaniment of its particular pattern of capitalist modernisation, and even the lower levels of such organisation of the labour force in North America and Japan are unlikely to be replicated in BRICS let alone elsewhere in the South. The objective conditions for much greater worker unrest in this part of the world are being laid. Grassroots organisation in slums and in local communities rather than simply at the workplace will become more important and with this the necessity of taking up a diversity of issues such as race, ethnicity, gender, skill difference, etc. to generate more composite forms of unity in action. Urban-based struggles over the "right to the city" i.e., the right for the majority of urban residents to shape and control their own lives will become ever more important. However, given the persistence of the peasantry in much of the South, the land and 'agrarian question' will also remain key issues.

THE QUINTET AND THE ROLE OF THE *US*

The rise of certain Southern countries, the economic rise of Southeast and East Asia, the emergence of BRICS, IBSA, BASIC, G20 has still not meant a serious change or shift in global power relations. Indeed, the current power shift, one can suggest, is a drift towards the creation of an informal collective. This is likely to be a quintet comprising those countries that by virtue of their combined and absolute levels of demographic, economic and military weights, will be effectively entrusted with the primary responsibility of stabilising the world capitalist order from which all elites and the most powerful TNCs can hope to continue benefiting. These five are the US, EU, Russia, China, India. Japan could have qualified for admission, except that it is so subordinate to the US that it can be taken for granted. With the other relatively more independent entities, negotiated compromises by the US are more regularly required to arrive at collective agreements. There is then, a dialectic of the national and the transnational, of the system of nation states and the globalising economy that will remain at least until truly radical and transformative struggles achieve some success. Understanding the strengths and weaknesses of the emerging world order is a precondition for carrying out such struggles.

While the top echelons of capital – say, the *Fortune 500* TNCs – share common ground in wanting the greatest freedom of movement for trade and investment so as to maximize the spatial opportunities for making profits, the very fact of competition on a widening scale also guarantees that there will be losers. In short, big capital does not simply want competition for competition's sake but wants competition on *its terms*, i.e., that it be *protected* from losing out in competition or that its losses be minimised as much as possible. There is always a dialectic of competition and protection. TNCs have their 'home' bases where the most powerful economic levers of research and financial control reside, and where the links to 'their' state can provide the most powerful political levers to serve their company interests. This means that inter-capital rivalries and tensions will to some degree translate into inter-state rivalries and tensions that could add to already existing tensions deriving from historical territorial disputes or from geopolitical needs or from ideological differences. Since such inter-state rivalries are far more dangerous and potentially de-stabilising than rivalries between capitals, they must somehow be managed and defused.

Historically, in the first three phases of global capitalist development this was the responsibility imposed on the hegemon. The first phase extended from the late eighteenth century to WWI when Britain, the hegemon, faced the rising challenge of Germany and the US. The second interwar period saw enormous upheaval because there was no hegemonic stability. In the third post-WWII phase, despite bloc rivalry constraining capitalist expansion, the US hegemon did stabilise Western Europe and Japan thereby providing a powerfully attractive model of capitalist liberal democracy to second and third world populations. We are in the fourth phase today, which geo-politically was inaugurated around 1990 when systemic Cold War rivalry ended. Geo-economically speaking, this phase would date back to the late seventies when neoliberal globalisation emerged leading to the eventual abandonment of strong Keynesian and welfarist commitments in the advanced countries, and of state-led developmentalist perspectives and practices in the developing world – even though these departures were spread out over time and place.

For all the claims that the rise of the South portends a dramatic power shift globally, far more likely is the emergence of the above mentioned quintet – the US, EU, Russia, China, India – in which the US, despite its relative (but not absolute) decline, will remain the principal bilateral coordinator and mediator. As it is, the world order is not so much a complex 'web' of multipolar powers, but rather a 'hub-and-spokes' arrangement with the US at the centre and joined by separate spokes to all other powers including the other members of the quintet. That is to say, for all the efforts of the major powers on the circumference to move towards each other and to form different groupings excluding the US, they all continue to give priority to their bilateral relationship with the US. This is an arrangement from which the US benefits greatly and will seek to sustain for as long as possible.

While there will be no collective hegemon nor a replacement of the role played by the US – claims about China as the new hegemon or of India as a near equal power are to be dismissed. The incoherent grouping of BRICS countries also cannot provide an effective alternative or complement to the quintet. The context of escalating economic, social, political and ecological problems worldwide mean that the quintet will in all likelihood fail in its task of stabilisation. A more barbaric world order is on the cards, which makes the necessity of transcending capitalism even more important, and an issue that must be more seriously addressed even among progressives.

To return to the quintet, the reason why others like Brazil, Mexico, Turkey etc. do not 'merit' entry into this club has much to do with them being much weaker military powers (See Graph 3 and Tables 6-10). Brazil has demographic weight (as does Indonesia) and economic strength, but to play a reliable regional and global geo-politically stabilising role requires the ability to exercise force successfully in the last resort, or even well before that. In respect of the economy, by the measure of companies in the top 500, China leads all Southern comers but remains well behind the US (See Table 11). Where Brazil and India have 8 each in the top 500, by mid-2013, China had 89 compared to Japan's 62, Germany's 30 and the US's 132. South Africa does not have any company in the top 500.

It is also important to assess a country's net international investment position as a measure of its economic-financial vulnerability (See Table 12). It might seem from the figures that, compared to China, the US is in an extremely fragile position. While this is certainly a longer term weakness for the US, in the shorter and medium term what is crucial is not the size of one's debt or surplus reserves but the currencies in which these are denominated and held. China's reserves are placed in US Treasury Bills giving much lower interest rates than for foreign debt borrowings. The Euro, Yen and above all the Dollar are and will remain for some considerable time the world currencies and it is the US that more than any other country continues to exercise predominant influence on international currency and interest rates, as well as being able to avoid paying the price for its persistent balance of payments deficits.

It can still be said with a degree of accuracy that of the Southern powers only China can hope to become a major economic rival to the US. But it is no match on the military or cultural front. To exercise hegemony or leadership one must be able to combine the ability to use force with the ability to elicit consent. The latter depends on being to some degree a pole of attraction, of having the kind of society and values that, deservedly or otherwise, other countries and peoples nonetheless would like to imitate. How many states and their ruling and middle classes in the world want to become more and more like Russia, China or India rather than like the US? The EU by its very nature cannot be the single unified aspirational model.

THE WAY AHEAD

More than a 150 years ago, writing in *The Communist Manifesto* Marx anticipated today's reality. He was really the first theorist of globalisation and recognised the deeply contradictory character of the process of capitalist expansion which simultaneously creates wealth with poverty, prosperity with misery, progress with despoliation. This is why he called upon the workers of the world to unite since they had nothing to lose but their chains. Today's call is one given by global elites – "Upper classes and upper-middle-classes of the world unite, you have nothing to lose but your privileges!" The struggle for a much more humane and ecologically sustainable world order cannot then opt out of the quest to go beyond today's capitalist globalisation whose principal political ballast remains US power exercised in conjunction with others. This being the case, any project for moving towards a saner world order must seek to greatly diminish this American power.

Given this necessity what are the weak spots in the global system that progressives can identify and work upon? First, there should be no illusions that emerging powers of the South *behaving as they currently do* can provide the desired sources of resistance. BRICS, IBSA, BASIC are groupings that aim to create more favoured positions for their member countries in the existing (and for them more important) institutions of global governance such as the WB/IMF/WTO and the UNSC. Nevertheless, should the authority of the US be seriously weakened, this would create conditions in which Southern powers would see much greater virtue in cooperating more with each other and in exploring alternative economic arrangements of a more progressive kind.

Currently, the region where resistance to neoliberal forms of development is not only greater but where the search for development alternatives has at least been initiated, howsoever tentatively and uncertainly, is Latin America. It is here too that the US-led effort to set up the FTAA (Free Trade Area of the Americas) was decisively defeated and where the efforts to build forms of regional integration that spread benefits more equally between and within member nations have gone further than elsewhere.

For all the problems and uncertainties faced by ALBA (Bolivarian Alliance for the Americas), Banco de Sur (Bank of the South), CELAC (Community of Latin American and Caribbean States), Mercosur, Telesur, UNASUR (Union of South American Nations), they do represent a more progressive orientation compared to the Northern-dominated neoliberal institutions of global and regional governance. While the bloc of Cuba, Venezuela, Bolivia and Ecuador needs to be strengthened in its radical thrust, the importance of Brazil taking a similar stance will be particularly important given its continental role.

This is why here, as elsewhere, there is no escape from the necessity of national level struggles to replace current elite-serving regimes pursuing either disciplinary or compensatory neoliberalism with genuinely more progressive regimes rejecting the neoliberal path in *toto*.

For Asia, two initiatives of real value which can help change geo-political and geo-economic relations need to be pursued. Initial steps were taken in the past only to be subsequently and quickly stymied. Yet they are both of such obvious value to all concerned including existing governments that the main obstacle is the absence of political will in the relevant Asian capitals. First, even as we need to pursue the promotion of renewable energy sources over the next several decades, there will nonetheless continue to be reliance on oil and gas. Here the proposal of building an Asian Collective Energy Security Grid with oil and gas pipelines running horizontally across Asia from Iran via Central Asia across Russia and Siberia to the eastern coast of China and vertically downwards to the countries of South and Southeast Asia is an idea whose time has come. The existing East Siberian-Pacific Ocean pipeline system for exporting Russian crude to China, Japan and Korea could easily be incorporated into such an overarching infrastructure. Not only would such a network be beneficial cost-wise to both producers and consumers, it would necessarily transform the geopolitics of the region and change relations with an oil and gas hungry Europe and Japan. It would deny the US the leverage it enjoys currently over India, Southeast Asian countries, China, Japan and even Europe by its control over the Middle East (and its efforts to do the same in Central Asia) and over the key sea routes for tanker transportation. As for land routes, the US currently wants to help construct and control oil and gas pipelines from Central Asia that will bypass Iran and Russia via Afghanistan, Pakistan and Turkey and run to ports in allied countries. The former Petroleum Minister of India, Mani Shankar Aiyar in November 2005 set up a ministerial round table conference to discuss these proposals with representatives from the key Northern and Central Asian producers including Russia, and representatives from key Asian consuming countries including China and Japan. This visionary effort was subsequently derailed when Aiyar was pushed out of the Petroleum ministry and relegated to a more junior Cabinet post by the top Congress leadership to the delight of the US since Aiyar was also the foremost critic of both the Indian economic shift towards neoliberal policies and its foreign policy shift towards the US.

Second, the time has also come to push for an Asian Monetary Fund, run much more democratically by its member governments to replace the role of the dollar and current neoliberal institutions like the IMF and WB. Such a body could become a regional clearing house with its own regional currency (in addition to existing national currencies), whose purpose would be to smooth out trade imbalances that would ensure that there are no permanent debtor and creditor nations. This would create a more powerful foundation for permanent cooperation among Asian countries that would also be greatly conducive to resolving conflicts and tensions of a more political-territorial kind. Once again, this was an earlier proposal, this time put forward by Japan during the height of the Asian crisis of 1997. Subsequent impulses in the same direction have not taken off primarily, because of a reluctance of Japan and other US allies to break away from the WB/IMF nexus and its control by the US Treasury.

Politics commands economics. The neoliberal path emerged because of prior shifts in the social relationship of forces between capital and labour in the North. The rise in the power and numbers of Southern elites eventually led to the abandoning of the 'developmental state' where it existed as in East Asia, and as a project-in-the-making as elsewhere in Asia, Africa and Latin America. The collapse of the Soviet bloc added its own impetus to this ideological shift in state policy. Those who would condemn neoliberal globalisation must also condemn the informal Empire Project of the US that underlies it. If Latin America is where neoliberalism has been more successfully challenged it is also because the US has been bogged down in West Asia and North Africa (WANA). This region remains the great political weak spot of its Empire Project.

More than ever, it behoves progressives everywhere to engage in struggles of solidarity with the oppressed masses in this region both against already hated ruling elites and against their principal backer, the US and its allies. In this regard the US can be *politically* defeated (though not militarily) with major geo-economic and geo-political ramifications that would create new opportunities and much brighter prospects for successfully carrying out progressive changes worldwide. Here the key issues demanding global solidarity efforts are a) against the illegal occupations of Afghanistan, Iraq and Palestine and against installing puppet regimes and leaderships serving imperial interests; b) against the attempt to isolate Iran for developing a nuclear bomb making capacity when the main perspective should be the establishment of a Middle East Weapons of Mass Destruction Free Zone (MEWMDFZ) that includes Israel; c) justice for the Kurdish people; d) an end to anti-democratic monarchical, theocratic and de facto military rule in the region.

I am greatly indebted to P K Sundaram for his invaluable help in preparing the accompanying graphs and tables
–Achin Vanaik

Chart 1. **Population, GDP and HDI for BRICs, Japan, US and UK**

	Population (2013 estimates)	GDP PPP (2012, million intl dollars)	GDP US$ (2012)	GDP Per Capita US$	GDP Per Capita PPP	HDI Rank New 2013 Estimates for 2012
Brazil	200 million	2,365,779	2,252,664,120,777	11,340	11,909	85
Russia	143 million	3,380,071	2,014,774,938,342	14,037	23,501	55
India	1.28 billion	4,793,414	1,841,717,371,770	1,489	3,876	136
China	1.36 billion	12,470,982	8,227,102,629,831	6,091	10,587	101
South Africa	51 million	585,625	384,312,674,446	7,508	11,440	121
United States	319 million	15,684,800	15,684,800,000,000	49,965	49,965	3
United Kingdom	63.2 million	2,264,751	2,435,173,775,671	38,514	36,901	26
Japan	126 million	4,490,68	5,959,718,262,199	46,720	35,178	10
Source:	Wolfram|Alpha knowledgebase, 2013	World Bank	World Bank	World Bank	World Bank	HDI Report

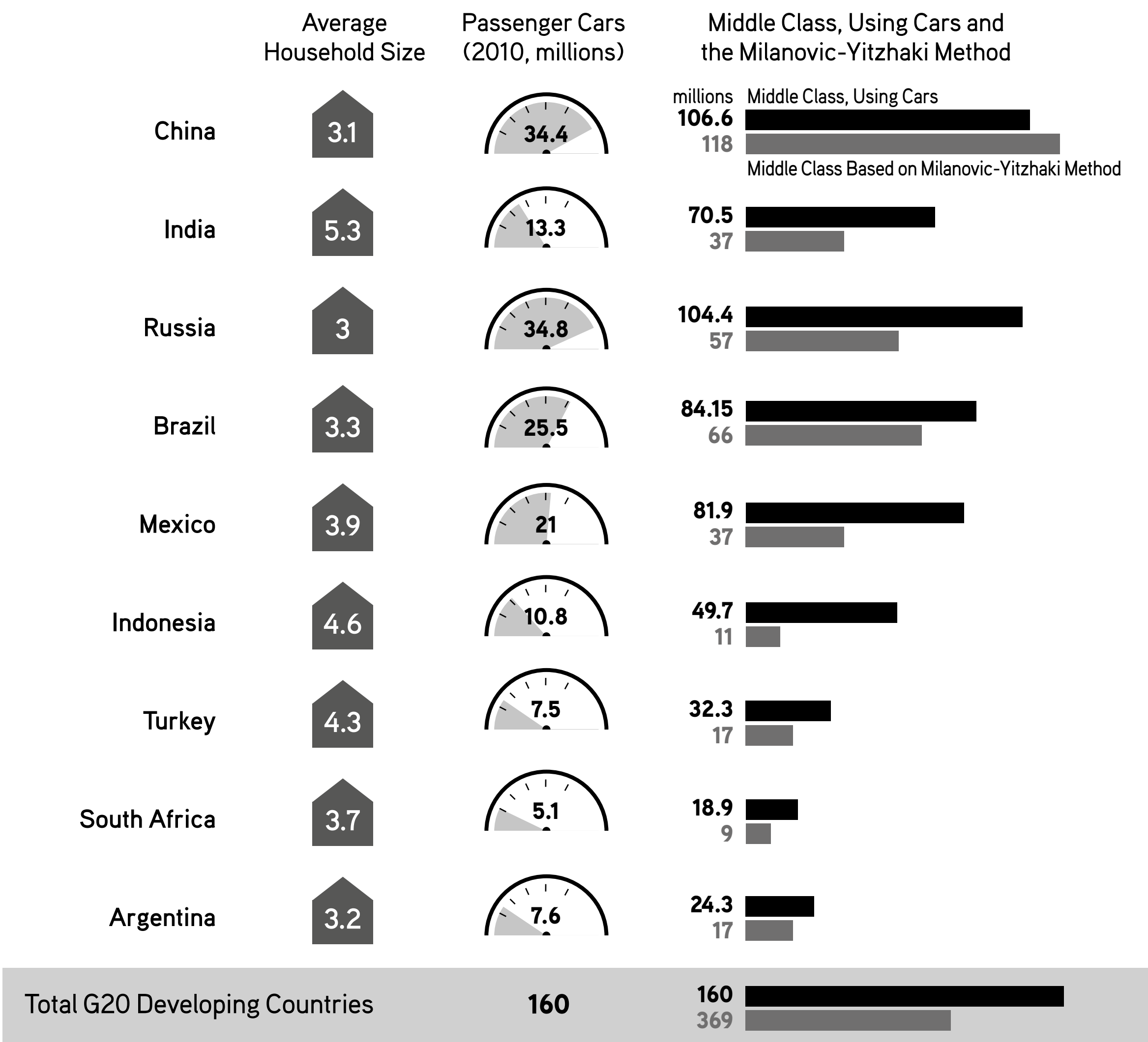
Table 1. GDP growth for BRICS and Industrialised Economies

Annual percentage growth rate of GDP based on constant 2005 US dollars- years of the Great Recession

Country	In percentage					
	2008	2009	2010	2011	2012	5-year average
Brazil	5.2	-0.3	7.5	2.7	0.9	3.2
China	9.6	9.2	10.4	9.3	7.8	9.30
India	3.9	8.5	10.5	6.3	3.2	6.5
Japan	-1.0	-5.5	4.7	-0.6	1.9	0.06
Germany	1.1	- 5.1	4.2	3.0	0.7	0.8
Russia	5.2	-7.8	4.5	4.3	3.4	1.9
South Africa	3.6	-1.5	3.1	3.5	2.5	2.2
UK	-1.0	-4.0	1.8	1.0	0.3	-0.4
US	-0.4	-3.1	2.4	1.8	2.2	0.6

Source: World Bank http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/BR-US-IN-CN-ZA-US-GB?display=default
Average column compiled by the author

Table 2. Size of the Middle Class, shown by Income and Car-use



Source: Milanovic-Yitzhaki method identifies middle-class as earning between (in PPP) \$10-\$50 per day as of 2009. Dadush/Ali measures in terms of car users. U.Dadu and S.Ali (2012): In search of the global middle class, Carnegie Papers. http://carnegieendowment.org/files/middle_class.pdf

Table 3. Number of Billionaires and Millionaires 2012/2013

	$ Billionaires Source: Forbes List 2013	$ Millionaires (2012) Source: Boston Consulting Group Global Wealth Report
Brazil	37 (2012)	165,000 2012 World Wealth Report by Capgemini SA and RBC Wealth Management.
Russia	110 (2013)	1,80,000
India	55 (2013)	1,68,000
China	122 (2013)	1,304,000
South Africa	4 (2012)	47,491 Credit Suisse Research Institute
United States	442 (2013)	5,876,000
United Kingdom	37 (2013)	509,000
Japan	22 (2013)	1,460,000

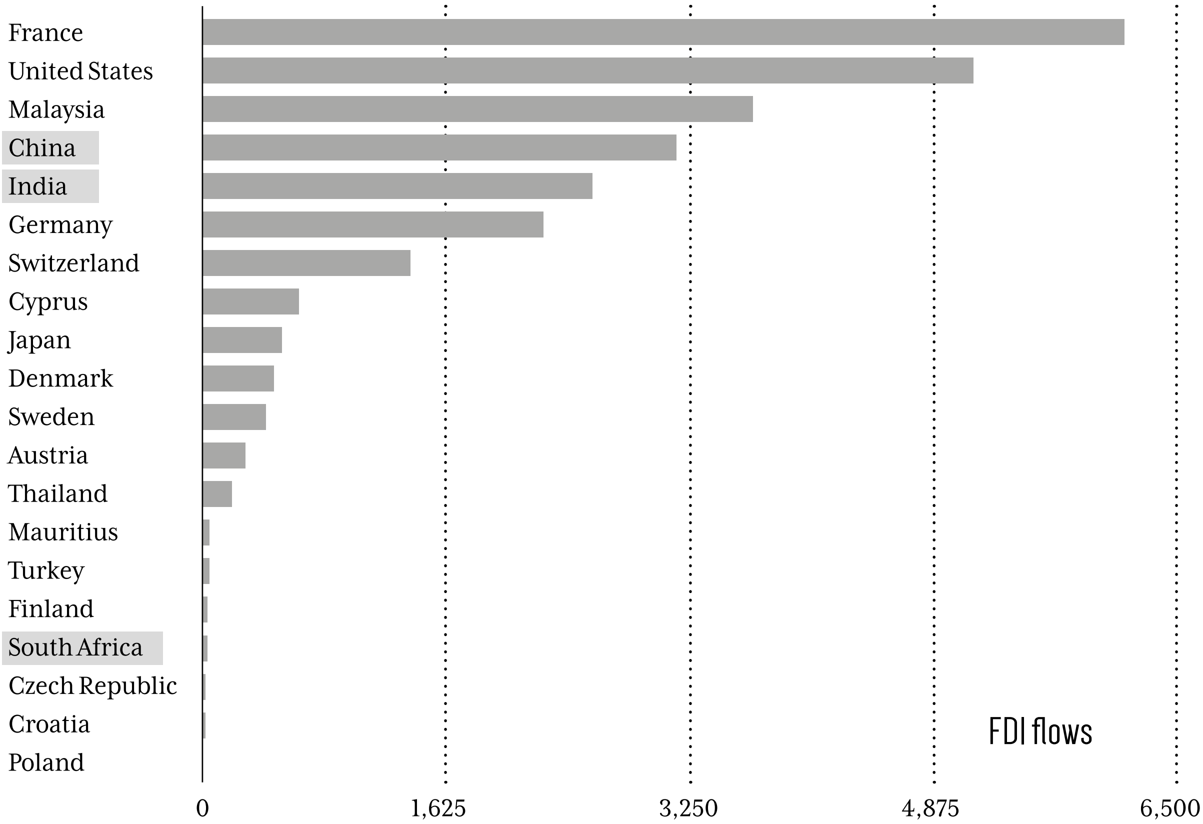
Table 4. BRICS Land Grabs in Africa, as of 2010

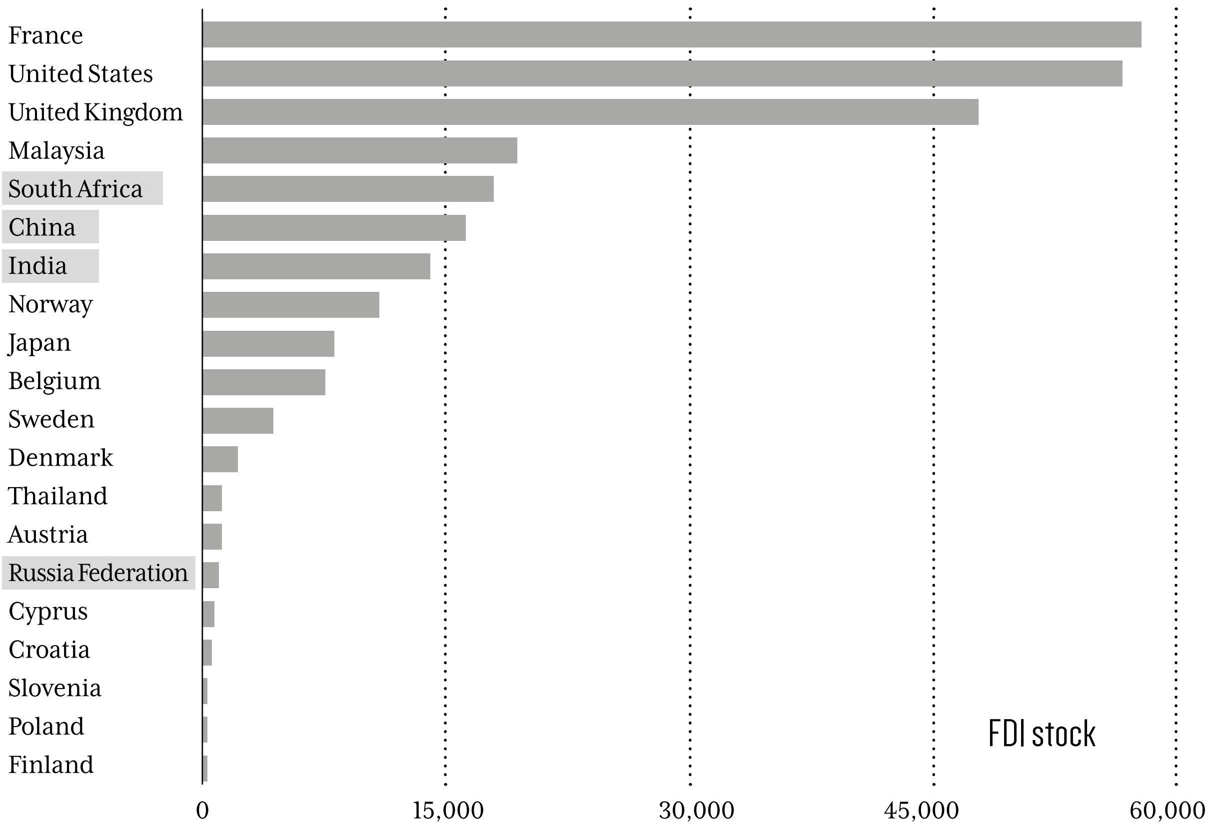
Country and Total Land	Total Land and Regional Area	Target Countries
Brazil 28,000 ha	Eastern Africa: 28,000 ha	Mozambique, Ethiopia
India 1,924,509 ha	Central Africa: 15,000 ha Eastern Africa: 1,761,800 ha Northern Africa: 8,020 ha South East Asia: 139,689 ha	Cambodia, Indonesia, Lao, Philippines, India, Cameroon, Ethiopia, Madagascar, Mozambique, Sudan
China 1,140,683 ha	Central Africa: 10,000 ha Eastern Africa: 126,171 ha South America: 348,972 ha South East Asia: 628,139 ha Western Africa: 26,000 ha	Cambodia, China, Sudan, Lao, Philippines, India, Bolivia, Peru, Argentina, Benin, Cameroon, Ethiopia, Mali, Democratic Republic of Congo, Uganda, Zimbabwe
South Africa 1,416,411 ha	Central Africa: 340,000 ha Eastern Africa: 367,174 ha South America: 55,794 ha Western Africa: 650,000 ha	Colombia, Angola, Benin, Cameroon, Ethiopia, Democratic Republic of Congo, Mozambique, Madagascar

Source: This data does not take into consideration Brazil's takeover of more land through the recently concluded trilateral agreement between Brazil, Japan and Mozambique for 14 million hectares project of agricultural development signed in December 2012 http://ccs.ukzn.ac.za/files/Bond%20CCS%20Brics%20booklet%2022%20March%202013.pdf

Graph 1 and 2. Top 20 Investors in Africa 2011

Four of the BRICS countries – S. Africa, India, China and Russia – have grown to rank among the top investing countries in Africa on FDI stock and flows.





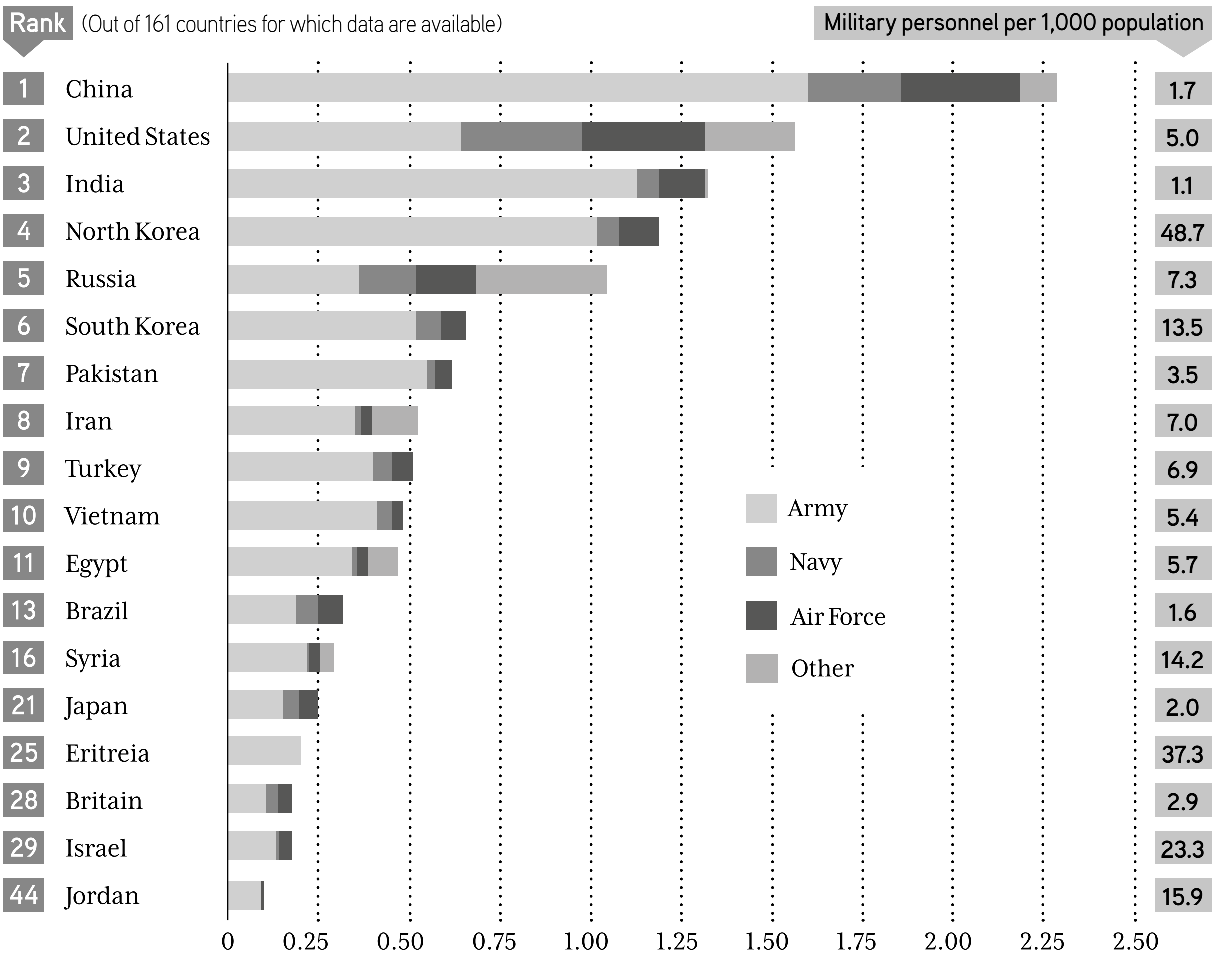
Source: UNCTAD, FDI/TNC database. Note: Data shown are only for those countries reporting outward FDI to Africa in 2011. http://unctad.org/en/PublicationsLibrary/webdiaeia2013d6_en.pdf

Table 5. Young Population in BRICS, US, UK and Japan

10-24 age, in millions	Young population in 2013	% of population	Young population in 2050	% of population
Brazil	50.7	25	35.5	16
Russia	23.5	16	20.3	16
India	362.0	28	340.9	20
China	299.1	22	183.9	14
South Africa	14.9	29	12.9	23
United States	63.8	20	75.3	19
United Kingdom	11.6	18	12.5	17
Japan	17.9	14	14.7	14

Source: The World's Youth 2013 Data Sheet, compiled by P K Sundaram, New Delhi

Graph 3. Global Active Military Personnel Ranking 2010, in millions



Sources: International Institute for Strategic Studies; UN; *The Economist*

Table 6. **Military Expenditure by BRICS, US, UK and Japan**

Military Expenditure	2012 Constant US$ (millions)	% of GDP
Brazil	36751	1.5
India	49353	2.5
Russia	[90646]	4.4
China	[157603]	2
South Africa	4848	1.1
United States	668841	4.4
United Kingdom	60218	2.5
Japan	59246	1

Source: SIPRI Database

Table 7. **Military Strength of BRICS, US, UK and Japan**

Military Strength	Total Military	Paramilitary	Police (source: wikipedia)	Police (per 100 thousand population)
Brazil	2,062,710	395,000	478,00(2001)	282
Russia	3,524,000	449,000	782,001 (2013)	546
India	4,768,407	1,300,586	1,585,117 (2013)	130
China	1,964,000	17,000	1,600,000 (2007)	120
South Africa	89,535	12,382	156,489 (2012)	317
United States	2,291,910	11,035	794,300 (2010)	256
United Kingdom	410,180	0	167,318 (2009)	307
Japan	284,350	12,250	251,939 (2006)	197

Source: Military Balance, ISIS, 2010

Table 8. **Military Hardware of BRICS, US, UK and Japan**

Military Hardware	Navy			Airforce	
	Total	Submarine	Aircraft Carrier	Total	Helicopters
Brazil	106	5	1	822	254
Russia	224	58	1	4498	1635
India	170	15	1	1962	620
China	972	63	1	5048	901
South Africa	24	3	0	235	91
United States	290	71	10	15293	6665
United Kingdom	77	10	1	1412	367
Japan	138	16	0	1252	258

Source: Global Fire Power (2012): http://www.globalfirepower.com

Table 9. **Military Expenditure of BRICS, US, UK and Japan 2008-2012**

	Variable	2008	2009	2010	2011	2012
India	Constant USD	42305	50041	50553	50653	49353
	% Share of GDP	2.6	2.9	2.7	2.6	2.5
Russia	Constant USD	[67986]	[71566]	[72918]	[78330]	[90646]
	% Share of GDP	[3.7]	[4.6]	[4.3]	[4.1]	[4.4]
China	Constant USD	[106774]	[128869]	[136467]	[146154]	[157603]
	% Share of GDP	[2]	[2.2]	[2.1]	[2]	[2]
South Africa	Constant USD	4502	4665	4482	4648	4848
	% Share of GDP	1.2	1.3	1.2	1.1	1.1
United States	Constant USD	649010	701087	720386	711402	668841
	% Share of GDP	4.3	4.8	4.8	4.7	4.4
Japan	Constant USD	59345	59534	58895	59530	59246
	% Share of GDP	0.96	1	0.98	1	1
United Kingdom	Constant USD	63609	64642	63461	60961	60218
	% Share of GDP	2.5	2.7	2.6	2.5	2.5
Brazil	Constant USD	31488	34334	38127	36932	36751
	% Share of GDP	1.5	1.6	1.6	1.5	1.5

Source: http://portal.sipri.org/publications/pages/expenditures/country-search

Table 10. **Nuclear Weapons Arsenals**

Nuclear Weapons		Delivery Systems		
	Warheads	Land	Air	Sea
US	7,700	449 LGM-30G Minuteman III nuclear-tipped intercontinental ballistic missiles (ICBM)		239 UGM-133A Trident II D-F submarine launched ballistic missiles (SLBM) Ohio-class nuclear-powered ballistic missile submarines (SSBN)
UK	225			Trident II (D-5) sea-launched ballistic missiles (SLBM) Vanguard-class submarines
Russia	8.500	RS-24 Yars road mobile ICBM	Kh-55 (NATO: AS-15 'Kent')	R-30 Bulava (NATO:SS-NX-30)
India	90-110	Prithvi I (range 150km); the Agni I (700km); and the Agni II (2,000km) Agni VI, an ICBM with a range of 8,000 to 10,000km		K-15 (Sagarika)
China	250	mobile missiles, such as the DF-11, DF-15, and DF-21, and the new DF-31 ICBM		JL-2 submarine-launched ballistic missiles (SLBM)
France	290		20 Rafale F3 land-based aircraft , 20 Mirage 2000N bombers, 10 Rafale MF3 carrier-based aircraft	four nuclear-powered ballistic missile submarines (SSBN)

Source: Nuclear Threat Initiative http://www.nti.org/country-profiles

Table 11. Fortune Global 500 by revenue in US$ 2013

Country	Top 5 companies	Rank in Global 500
Brazil	Petrobras (oil) Banco de Brazil (finance) Banco Bradesco (finance) Vale (mining) JBS (meat)	25 116 168 210 275
Russia	Gazprom (oil and gas) Lukoil (oil) Rosneft (oil and gas) Sberbank (finance) Sistema (oil to telecoms)	21 46 99 228 308
India	Indian Oil (oil and gas) Reliance Industries (oil telecoms to retail) Bharat Petroleum (oil and gas) Hindustan Petroleum (oil and gas) State Bank of India (finance)	88 107 229 260 298
South Africa	n/a	
US	Walmart Stores (retail) Exxon Mobiles (oil and gas) Chevron(oil and gas) Philips66 (petrochemicals and gas) Berkshire Hathaway(finance and holding)	2 3 11 16 18
UK	BP (oil and gas) HSBC Holdings (finance) Tesco (retail) Prudential (finance) Lloyds Banking Group (finance)	6 60 63 84 85
Japan	Toyota (motor) Japan Post Holdings (communication and finance) Nippon Telegraph and Telephone (telecom) JX Holdings (petroleum and metals) Honda (motor)	8 13 32 44 45
Germany	Volkswagen (motor) E.ON (power and gas) Daimler (motor) Allianz (finance) Siemens (electronics and electrical engineering)	9 15 23 31 53

Source: http://money.cnn.com/magazines/fortune/global500/2013/full_list/

Table 12. Net International Investment Position 2012

The difference between the valuation of all assets abroad as compared to those held within by others in US dollars.

Country	Net Position in Dollars (+ or -)
Brazil	- $ 727448.0 millions
Russia	+$132924.0 millions
India	-$280492.8 millions
China	+$1736424.6 millions
South Africa	-$24750.2 millions (2011)
US	-$3863 895.1 millions
UK	-$223451.1 millions
Japan	+$3423624.7 millions
Germany	+$1460852.9 millions

Source: http://imfstatext.imf.org/WBOS-query/Index.aspx?QueryId=6325

SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER TWO

BRAZIL

FROM CURSED LEGACY TO COMPROMISED HOPE?

ADHEMAR MINEIRO

Brazil: From cursed legacy to compromised hope?

ADHEMAR MINEIRO*

INTRODUCTION

Brazil provided perhaps the best hope for social movements that the rise of blocs like IBSA or BRICS might offer new opportunities for progressive economic and social transformation in our globalised world. This is because Brazil's emergence as a global power coincided with the ascendency to power of a former trade unionist, Luiz Inácio 'Lula' da Silva, and his Workers Party, known for its close relationships with social movements.

This hope was best exemplified in the World Social Forum, first held in Porto Alegre in 2001. Not only did these annual summits, attended by tens of thousands of activists, give visibility to an alternative globalisation movement—which the *New York Times* would later dub the 'world's second superpower'-—they were also sponsored and supported by municipalities and other government bodies successfully run by the Workers Party. For a while Lula, once he was elected President in 2003, seemed to live up to the hopes social movements placed in him—helping break with the Free Trade Agreement of the Americas (FTAA), calling for a multipolar world in rejection of US domination, and promising a new development path based on ending poverty and inequality.

Yet 12 years later, the alliance between social movements and Brazil seems much more fraught with tension. Domestically, the Brazilian government under President Dilma Rousseff faced unprecedented opposition from a popular movement angry at corruption and exorbitant spending in preparation for the FIFA World Cup. Internationally, accusations of Brazilian 'imperialism' are heard ever more often from social movements in neighbouring countries confronting Brazilian transnational companies and investments. Why is this, and what hope is there for Brazil forging a more progressive path in a multipolar world?

* Adhemar S. Mineiro, economist, working as adviser for REBRIP (Brazilian Network for the Integration of People).

THE 'CURSED LEGACY' OF VULNERABILITY

To understand the path that Brazil has taken in the last decade, it is important to first understand the context in which the Workers Party (*Partido dos Trabalhadores* or PT) rose to power and the decisions they subsequently took. The PT refers to the years preceding their election as the 'cursed legacy', as they had inherited an economy that was highly exposed to external speculative attacks (external vulnerability) and internal speculative attacks (related to the terms and conditions and liquidity of Brazil's public debt).

This vulnerability can be traced back in part to the adoption of the *Plano Real* 1 by the Itamar Franco government in 1993-94 in response to an ever growing current account deficit. In order to attract capital, high returns and good profits were offered to international investors. This certainly brought in investors, attracted by extremely high interest rates, rapid appreciation of stock values and the opportunity to acquire, for attractive prices, valuable assets in various sectors of the Brazilian economy, particularly those privatised between 1994 and 2001.

However, it also created a dangerous dependency on capital flows that could leave as quickly as they arrived. In 1997—the year of the Asian financial crisis—the country's current account deficit exceeded 4 per cent of GDP and became increasingly difficult to manage due to financial turbulence. Refusing to make more than minor tweaks to the model, the government's debt grew approximately nine-fold, from R$62 billion at the end of 1994 to R$554 billion in April 2001.2 The government was forced to sign agreements with the International Monetary Fund (IMF) and other multilateral financial agencies, such as the World Bank (WB) and the Inter-American Development Bank (IADB).

With IMF pressure imposed through annual 'agreements', Brazilian authorities systematically resorted to budget cuts to deal with the problem. Cutbacks in social programs, wage freezes in the public sector and drastic decreases in investments in infrastructure became commonplace.3 This type of measure contributed little to resolving the public debt issue, which continued to grow, and made living conditions increasingly unbearable. Even investors were warned off, fearful of the risks in the country's financial markets. Deficiencies in infrastructure—made evident in interruptions to the electricity supply which affected the entire country in 2002—showed the costs of unregulated privatisation which had prioritised profits for international financial investors over growth or public infrastructure.

At the same time, social movements increased their resistance against neoliberal policies and the government of Fernando Henrique Cardoso as the crisis worsened. The popular referendum on the external debt and FTAA, organized in this period by social organisations, helped consolidate not only the resistance against two of the pillars of the neoliberal policy—free capital flows and free trade—but also contributed ideas and proposals for a political platform and a growing institutional political opposition.

A COMPROMISED BREAK WITH NEOLIBERALISM

In his fourth run for the presidency, Lula campaigned on the promise he would break with this external economic vulnerability. However his party was also prepared to make compromises to head off strong anxiety from the business community. There was considerable apprehension about how a national development project—the goal of which was to introduce structural changes—would fare in a hostile environment characterised by the influence of US interests in the region, the hegemony of the financial liberalisation model, and the opposition of powerful domestic interests.

This was made apparent in the PT's "Letter to the Brazilian People" in the second half of 2002, released in the midst of the election campaign. The letter stated that a Lula government would "adapt" its programme to adhere to the agreement the previous Cardoso administration had recently signed with the IMF. It also dropped the party's previous insistence on tackling the debt issue, which included demands for an audit and other, even more radical, ideas. The letter ended the confrontational tone vis-a-vis the financial markets, their interests and institutions, and is commonly considered a turning point in the PT's historical positions.

Yet despite this *volte-face*, the new government was determined to reduce the country's vulnerability to external financial institutions by strengthening the state's role in the economy, building up Brazil's economic autonomy, and by forging alliances with regional and international powers that could counter imperial power. The idea was that if Brazil succeeded in creating more balanced power relations domestically and internationally, it would be better placed to implement its own structural reforms and new development path.4 By 2005, the PT's decision seemed vindicated when it succeeded in paying off its multilateral debts, and ended its agreement with the IMF. The choices Brazil took to break this dependency, however, had consequences that continue to resonate, as we will examine.

BUILDING ECONOMIC INDEPENDENCE THROUGH INCREASED TRADE

The primary way Brazil sought to reduce its economic vulnerability was by increasing trade surpluses in order to accumulate international reserves, which would in turn serve as a safeguard against possible capital flight. The government decided to focus efforts on maintaining existing markets, while actively searching for new markets to expand trade.

To do so, the government had to manage a duality in Brazilian exports: one dynamic centred on exporting manufactured goods to the Americas (that is, South America and the US), and another focused on the sale of primary products (agricultural, energy and minerals) to Europe and Asia.. As the Brazilian industrial complex imports a lot of its supplies, technology and parts, in order to boost exports of industrialised goods it had to quickly expand its trade surpluses, which required a rapid increase in agriculture and mining exports in the short run.

A combination of government efforts together with favourable external circumstances meant the government was very successful in its strategy. Brazil's trade balance went from almost $13 billion in 2002 to nearly $25 billion in 2003, and from that level to about $45 billion in 2005. In the same period, the total volume of exports rose from nearly $60 billion to almost $118 billion. The volume of international reserves also rose from a little under $38 billion in 2002 (of which approximately $23 billion were from agreements with the international financial institutions—IFIs—to deal with the 2002 financial crisis; $16 billion was from the IMF alone) to nearly $54 billion in late 2005,[5] the year the government finished paying off the IMF loan. More recently, Brazil's current account deficit has started to increase again due to a dwindling trade surplus that had its weakest result in a decade in 2013, stabilizing around 3,6 per cent of the GDP since the end of 2013 to June 2014.[6]

Another important development during the period was the change in the destination of Brazilian exports: whereas before, a third of exports went to developing countries and two-thirds to developed countries, the ratio is now half and half. This was mainly due to an increase in trade to China and the rest of Latin America (See Tables 1 and 2).

Table 1. Indicators on Brazil's External Sector: 1994-2008 (in percentages)

Year	Servicing of the foreign debt/Exports	Total External Debt/GDP	Net Total External Debt/GDP	International Reserves/ Total External Debt
1994	38.2	26.3	15.3	27.1
1995	44.5	21.7	12.2	33.9
1996	54.7	22.3	12.1	34.7
1997	72.6	23.7	15.2	27.2
1998	87.4	28.4	20.9	19.9
1999	126.5	42.0	32.5	16.1
2000	88.6	36.0	28.4	15.2
2001	84.9	37.9	29.4	17.1
2002	82.7	41.8	32.7	18.0
2003	72.5	38.8	27.3	22.9
2004	53.7	30.3	20.4	26.3
2005	55.8	19.2	11.5	31.7
2006	41.4	15.9	7.0	49.8
2007	32.4	14.1	-0.9	93.3
2008	19.0	12.1	-1.7	97.7

Source: Brazilian Central Bank Bulletin, available at www.bcb.gov.br

Table 2. Brazil: Exports to Mercosur, US, EU & China

	2002		2007		2012	
	Millions of US$	%	Millions of US$	%	Millions of US$	%
Mercosur	3318.7	5.50	17353.6	10.80	22801.5	9.40
US	1553.8	25.74	25313.6	15.76	26849.4	11.07
EU	15608.9	25.86	40428.0	25.17	48859.6	20.14
China	3048.4	5.05	12085.1	7.52	43686.1	18.01
Others	22851.0	37.86	65468.8	40.75	100383.2	41.38
Total	60361.8	100.00	160649.1	100.00	242579.8	100.00

Source: MDIC/SECEX/DEPLA, available at: www.desenvolvimento.gov.br

BUILDING UP NATIONAL AND TRANSNATIONAL CHAMPIONS

One key element of the PT's platform was an increased role for the state, and an industrial policy to support "national champions" in every productive sector of the economy—thereby strengthening their ability to compete at the global level.7 The National Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES) as well as state-controlled pension funds have played a critical role in supporting national corporations that have since become transnational giants, expanding into neighbouring countries and Africa. These corporations are in the mining sector (Vale being the prime example), services (construction firms like Odebrecht, Camargo Correia and Andrade Gutierrez, for example), energy (such as Petrobras) and the agro-export chain (mainly meat and soybean producers and processors such as JBS/Friboi and Brasil Foods). This strategy has been successful, particularly during the 'commodities supercycle' of the past decade which fuelled the growth of extractive industries in Brazil.

In the case of Vale, Brazil's top mining corporation, the expansion process began in the 1990s with the privatisation of Vale do Rio Doce, the state-owned iron ore mining firm. The pension funds of state enterprises and BNDES assumed control of the company with its so-called "privatisation", in May 1997. In that agreement, shareholders passed managerial control over to executives of the Bradesco bank, one of Brazil's largest privately-owned banks. With the surge in iron ore exports and a high international price for iron, Vale's financial capacity grew rapidly and it began to expand throughout the world. It is among the top 500 companies on the *Forbes Global 2000 Leading Companies* list, ranked 442nd.[8]

Producers and processors in the agribusiness chain followed a similar process: they too grew rapidly due to the surge in primary goods exports and prices, and had support from the BNDES. BNDES not only funded imports and exports, but also increasingly helped to finance Brazilian investments abroad.9

USING FOREIGN POLICY TO SUPPORT BRAZIL's DEVELOPMENT AND REDUCE VULNERABILITY

In a document written at the beginning of President Lula's first term of office,[10] Foreign Affairs Minister Celso Amorim outlined the government's determination to use diplomacy as "a tool to support the country's social and economic development project". This proposed a renewed emphasis on building regional integration, promoting "a multipolar global order", and reforms of the UN.

Latin America, not surprisingly, was a high priority on Brazil's diplomatic agenda as it was the easiest region in which Brazil could advance its economic interests, and facilitate the expansion of Brazilian companies. Regionally, Brazil was of course better able to establish affinities, and political and cultural links in general. Brazil's support for building regional integration—and the relative success thereof—also provided the platform for Brazil's broader intervention on the global scene.

In its immediate neighbourhood, Brazil engaged with Mercosur, made up of Argentina, Brazil, Paraguay and Uruguay (and more recently Venezuela). This involved the creation of a "structural convergence fund"11—a common fund set up between the four countries to finance projects related to the regional integration process—and the establishment of mechanisms for trade in national currencies (which, until now, is limited to Brazil and Argentina). It also posited the reform of the Mercosur Parliament. Regional integration has, however, been hampered by the fact that the Mercosur countries are still mainly commodity exporters, often focusing on the same products (soybean and meat, for example), and therefore compete directly with each other on the global market.

On a broader Latin America-wide stage, Brazil played a role in building Unasur (Union of South American Nations), in the aftermath of the broken-down FTAA talks. It arose as an initiative to bring Mercosur and the Alba countries from South America12 together, and now unites all countries in South America. Probably its most important decisions have been to create the South America Defence Council in 2008, and a regional financial architecture—including the creation the Bank of the South (Banco do Sul) as a regional financial development agency—which marks a distinct departure from the financial architecture that had exacerbated Brazil's vulnerability in the 1990s. While member countries contribute funds to the bank according to their economic power, they all participate as equals on its board of directors.13 Not all Unasur countries currently participate in the Bank of the South initiative (so far it only includes the Alba and Mercosur countries), but once the agency begins to operate other countries in the region have the option of joining. There has been intense debate in Brazil on funding the Bank of the South, with concerns about the potential competition to its own national development bank (the BNDES), and the diversion of resources from addressing Brazil's internal regional and social imbalances. To date, the bank is beginning to be structured, but it is still "more a promise than a reality".[14]

At the same time, Brazil and 33 other countries of South America, Central America and the Caribbean formed the Community of Latin American and Caribbean States (Celac, in Spanish and Portuguese) in February 2010. Unlike the Organization of American States, CELAC excludes Canada and US. The general idea is to strengthen political dialogue and cooperation in the region, and facilitate a common regional identity.

It still is not clear how all of the new institutions will work together, or how they will work with pre-existing ones (how the Celac and the OAS will work together, for example). It is clear, however, that their creation marks the failure of US attempts to implement a cross-continental FTAA (even if separate FTAs have been signed with individual countries).

All of these manoeuvres have succeeded in limiting the US's power in the region. Nevertheless, they have involved a delicate diplomatic chess game by the Brazilian government. Brazil has never adopted a confrontational strategy with the US, like the ones employed by Venezuela and Bolivia, but it has also been clear to reject all possible direct interference by the US in the region. The US's need for relations with Brazil in the context of greater antagonism to the US across Latin America, has meant that Brazil has emerged as a privileged intermediary between the US and the region.

BUILDING A MULTIPOLAR WORLD

Brazil has been one of the key drivers behind efforts to build new power blocs, particularly of emerging economic powers in the South, that could challenge a unipolar world dominated by the US. Amorim's foreign policy from 2002 committed itself to building a multipolar world, arguing it would "provide a more stable and secure international environment, providing better conditions for development for all".[15] In fact, Brazil's diplomatic team seems to have been most comfortable working as a nation within a larger economic and political bloc, allowing it to defend its interests alongside others without overtly exposing Brazil's positions, and enabling it to establish multiple and distinct political alliances.

The creation of IBSA (India, Brazil, South Africa), the establishment of the G20, the building of stronger trade and political relations with China, and the founding of the BRICS are proof of the relative success of Brazil's diplomatic moves to strengthen multilateralism. With regards to trade, Celso Amorim's advocacy of developing country priorities is widely credited for ending the sway of disadvantageous trade deals at the WTO.

In the creation of the BRIC (Brazil, Russia, India and China, with the "S" being added later when South Africa joined the group), two main ideas guided Brazil's efforts to bring together what it considered relevant economic space outside of the so-called "triad" (US, Japan, Europe). With India and South Africa (which, together with Brazil constitute IBSA), the idea was to form a kind of "ground floor" group made up of developing countries that are key regional players, formally have a democratic system, and operate in relative harmony with the triad. This group's agenda would go beyond trade expansion to include more structural concerns such as development, income distribution, relationships with social movements and sustainability. IBSA members would then move to the "upper floor" to join Russia and China (members of the UN Security Council) in a discussion on issues related to the G20, the United Nations, the IFIs, and financial aspects of development. Important proposals on the "BRICS bank" and the idea of having a system of conducting trade in national currencies between BRICS members have emerged. The numerous differences (political, social, ethnic, military, economic, geopolitical, etcetera) among countries, and their respective strategic goals have, however, created tensions and contradictions within these blocs, so how they will develop in the future is difficult to judge.

Brazil's involvement in the BRICS led to a shift in the country's attention from Latin America, where it had traditionally been focused, to the global level. The government is unlikely to have intervened in tensions between Iran and the International Atomic Energy Agency—and more recently in conflicts in Libya and Syria—had it not been for its participation in the BRICS. This has obliged Brazilian diplomats to make significant efforts to take more global positions.

SUCCESS–BRAZIL AS A GLOBAL PLAYER

On many accounts, Brazil's foreign policy and economic strategy has been a great success. Brazil has moved from being seen as an indebted crisis-ridden country to a Latin American success story, an exemplar of inclusive growth, and a respected giant on the global political stage. In 2011, Brazil overtook Britain as the sixth largest economy in the world. While the richest nations of the North struggled with financial crisis, Brazil's economy continued to grow and with $327 billion in foreign currency reserves in June 2011, Brazil became a creditor to the US. The tables had seemingly been turned.

Moreover, Brazil was increasingly recognised for its distinctive economic model that had not just enriched a few, but achieved the greatest reduction in poverty in Brazilian history. According to some estimates, the number of poor dropped from around 50 to 30 million in the space of six years, and the number of the destitute by 50 per cent. Lula's programme of direct cash transfers to poor families, the *Bolsa Família*, became a symbol of Brazil's new development path and was widely praised as an initiative to follow worldwide. Brazil has also been investing heavily in its future: since 2005, government spending on education has trebled, and the number of university students doubled.[16]

Its economic success and moral example have given Brazil a particular level of respect and leverage on the global stage. This was apparent when Lula not only recognised Palestine as a state in 2010, but also refused to join the blockade of Iran, even inviting Iran's President Mahmoud Ahmadinejad to Brasilia. The US's impotent fury at these displays of diplomatic independence was a sign that Brazil's emergence as a globally-respected power had led to major reconfigurations of the global geopolitical landscape.

BRAZIL's 'FAUSTIAN PACT' WITH SUCCESS

There is no doubt that Brazil's challenge to US imperial dominance—both in their former 'backyard' and globally—along with its own record on poverty reduction, have offered hope to movements and governments keen on breaking with a failed neoliberal model. The rise of the more radical "Bolivarian bloc"—the group of countries that adhered to the Bolivarian Alternative for the Americas (Alba, for its acronym in Spanish and Portuguese)—and the so-called 'pink tide' in Latin America, were both inspired by Brazil's example and often benefited from Brazil's strong political support. Brazil has for example stood alongside governments such as Bolivia and Ecuador when they have faced efforts at internal destabilisation (in Bolivia in 2008 and Ecuador in 2010), or been threatened or undermined by outside countries (such as European nations' attempts to ground Bolivian President Morales' plane in 2013).

Brazil's chosen path to free itself from external vulnerability, and escape the 'cursed legacy' of neoliberal failure, has been an emphasis on exports and the promotion of new 'home-grown' TNCs. This path has its pitfalls—which could threaten Brazil's continued economic rise—and contains seeds for social unrest and environmental destruction, while also limiting the possibilities for progressive transformation.

Table 3. Latin America and the Caribbean: Trade Composition According to Category of Goods - 1990-2005 (in US$ 1000 and %)

	1990		1995		2000		2005	
	Value	%	Value	%	Value	%	Value	%
EXPORTS								
Primary Products	**59 660 438**	***49,1***	**68 268 126**	***30,8***	**95 682 178**	***27,5***	**195 497 173**	***35,6***
Manufactured Goods	**60 524 886**	***49,8***	**148 719 859**	***67,2***	**246 988 500**	***71,0***	**344 496 900**	***62,7***
Based on natural resources	26 723 201	*22,0*	49 943 363	*22,6*	60 035 563	*17,2*	92 757 946	*16,9*
Low Technology	11 723 937	*9,6*	26 860 492	*12,1*	41 039 559	*11,8*	53 025 008	*9,7*
Medium Technology	18 958 605	*15,6*	52 634 815	*23,8*	88 094 099	*25,3*	131 287 423	*23,9*
High Technology	3 119 144	*2,6*	19 281 190	*8,7*	57 819 280	*16,6*	67 426 524	*12,3*
Other Transactions	**1 425 787**	***1,2***	**3 848 891**	***1,7***	**5 382 477**	***1,5***	**9 373 454**	***1,7***
Total	**121 611 111**	***100,0***	**221 410 993**	***100,0***	**348 053 155**	***100,0***	**549 367 528**	***100,0***
IMPORTS								
Primary Products	**17 862 358**	***18,6***	**23 271 772**	***10,2***	**34 929 565**	***9,7***	**52 965 801**	***11,1***
Manufactured Goods	**73 651 888**	***76,8***	**195 989 386**	***86,1***	**316 195 279**	***87,9***	**419 241 128**	***87,5***
Based on natural resources	18 997 544	*19,8*	41 632 974	*18,3*	57 325 034	*15,9*	81 645 012	*17,0*
Low Technology	9 555 483	*10,0*	31 783 566	*14,0*	53 505 457	*14,9*	63 637 682	*13,3*
Medium Technology	32 713 066	*34,1*	85 629 075	*37,6*	127 772 692	*35,5*	176 350 405	*36,8*
High Technology	12 385 794	*12,9*	36 943 770	*16,2*	77 592 095	*21,6*	97 608 028	*20,4*
Other Transactions	**4 422 747**	***4,6***	**7 956 127**	***3,5***	**8 599 913**	***2,4***	**6 812 811**	***1,4***
Total	**95 955 928**	***100,0***	**227 602 572**	***100,0***	**359 725 338**	***100,0***	**479 019 740**	***100,0***
RESULTS								
Primary Products	**41 798 079**		**44 996 354**		**60 752 612**		**142 531 372**	
Manufactured Goods	**- 13 127 002**		**- 47 269 526**		**- 69 206 779**		**- 74 744 228**	
Based on natural resources	7 725 657		8 310 389		2 710 529		11 112 933	
Low Technology	2 168 454		- 4 923 074		- 12 465 899		- 10 612 674	
Medium Technology	- 13 754 462		- 32 994 260		- 39 678 594		- 45 062 983	
High Technology	- 9 266 651		- 17 662 581		- 19 772 816		- 30 181 505	
Other Transactions	**- 2 996 960**		**- 4 107 235**		**- 3 217 436**		**2 560 644**	
Total	**25 655 183**		**- 6 191 579**		**- 11 672 183**		**70 347 788**	

Source: Economics Indicators and Statistics, CEPALSTAT, available at: www.eclac.cl

Brazil, as we have noted, built its economic independence and success in large part on a overwhelming emphasis on exports—particularly of primary commodities and industrial products requiring the intensive use of natural resources, such as those produced by the food industry and mineral and energy resources. This process was true of much of Latin America as can be seen in Table 3.

This model of export-led growth has had negative implications for Brazil (and Latin American generally). The first contradiction it has opened up is between the production of food for export, and food insecurity among the country's population. The transformation of virtually all major agricultural production into exportable commodities establishes a direct link between prices on the domestic market (in local currency) and those on the international market (in foreign currency). While in the short term, growth policies that increase the poorest classes' income have enabled them to pay for food, in the long-term it has made many more people vulnerable to rising prices.

An export fixation has also had environmental costs. Brazil has an undeniable competitive advantage in terms of natural resources and other factors of production: an abundance of mineral and forest resources, water, and potentially arable land, as well as favourable demographics (a large working-age population and median population growth rate). These are not all replenishable, however, and the rapid growth of natural resource-based industries—whose extractive-model is both extensive and intensive—raises questions of sustainability. There is a real danger of 'eating the future', and depleting the reserves that will be available for future generations. One must remember that when the country exports minerals or agricultural products, it is also exporting what is embedded in these goods—water, land, energy and labour—all furnished at low prices in order to ensure the competitiveness of exports.

The destructive impact of the construction of hydroelectric dams to produce cheaper energy or huge open-cut mining operations, especially in the Amazon region, are the most obvious examples. But it can also be seen in the expansion of soybean and livestock production into forest areas, and its dominance over the traditional forms of production and ways of life of indigenous and other peoples who have been living in Brazil's interior for centuries. A Greenpeace report in 2006, *Eating up the Amazon*, among others, helped bring about some changes, although it is still not clear how much this displaced the problems to new regions, such as the Cerrado. While the rate of deforestation in the Amazon was cut in half in the period 2000-2012, from approximately 40,000 sq km per year to approximately 20,000 sq km per year, the most recent figures show a reversal of the trend, with the rate increasing by 28 per cent in 2012-13 compared to the previous year.[17] The revision of the Forest Code (FC) in 2012—after more than a decade of efforts by Brazil's powerful agricultural lobby—eased restrictions on logging, and is seen by many as the reason for the rising rate of deforestation. The process of expansion of agricultural land also contributes to the concentration of land ownership, and exacerbates social problems and violence in rural areas.

Another effect of international integration that relies on exports of low technology products is that it augments pressure for reducing labour costs, whether it be through lower wages, the elimination of historical gains and benefits, and/or reducing workers' rights. In an economy that is less dependent on international trade and less exposed to trade fluctuations, increases in workers' incomes are dynamically transformed into growth in sales volumes, which in turn boosts production—all on a virtuous path to growth. In an economy highly open to imports from other countries and dependent on its exports, wage increases or expansions in workers' rights and benefits are seen as factors that raise costs for export sectors, hindering companies' ability to compete.

SHIFTING THE BALANCE IN FAVOUR OF CORPORATE POWER

Perhaps even more damaging than the export-led model though has been the way it has strengthened particular corporate sectors and shifted the power balance against social movements within the Brazilian government and the PT itself.

Social movements and civil society organisations had led resistance to the neoliberal model, namely to the process of financial and trade liberalisation and privatisation in the 1990s and early 2000s, and were part of the new hegemonic coalition that won the elections in 2002. Many leaders of the PT and other parties in the coalition come from social movements and civil society organisations and worked to lobby the government sectors responsible for defining these policies. As a result, the government opened up spaces for civil society organisations and social movements, networks and coalitions to participate in the discussion and formulation of foreign policies (on trade and human rights, for example), thereby allowing the sectors most interested in altering the government's strategy to have some influence in the process.

However the PT's decision to focus on strong growth in exports and imports —in order to build up international reserves and reduce Brazil's economic vulnerability—invariably privileged certain interests. The main beneficiaries of this focus were the major national and transnational corporations operating in the country that were integrated into the international market. Many of these companies participate in international production chains as, simultaneously, both importers and exporters.

Brazil's policy of fostering convergences among companies is not limited to sectors engaging in foreign trade. Since 2006, a process of mergers and the reorganisation of the corporate sector has gained momentum, which has resulted in enormous sectoral and multi-sectoral conglomerates. This concentration has been actively encouraged by BNDES, the main funder of the Brazilian economy. The bank is optimistic about the positive impacts large corporations can generate due to their financial, technological, management and market potential, as well as their synergies and the role they play in coordinating a chain of suppliers, distributors and service providers.

Petrobras and Embraer are two domestic companies that have become particularly dominant according to the report "Who wins and who loses with Brazilian exports" by the network of Brazilian NGOs and social movements, REBRIP.18 Petrobras is Brazil's largest corporation, specialising in the trade of oil and oil products. Embraer imports parts to assemble airplanes, which it then exports as finished products. The rest of the country's major exporters are in two main groups: mining and processed minerals (iron and steel, for example) and large-scale agriculture and livestock, which includes processed food products (such as processed meat, soybean oil, pulp and paper, sugar and ethanol). In addition, some dominant Brazilian players are subsidiaries of transnational corporations, actively importing and exporting, as is the case with Fiat from Italy, Daimler from Germany or the US-based Caterpillar. All of these exports involve the intensive use of environmental resources.

These corporations and sectors not only benefit from Brazil's policies to stimulate trade, they also exert a powerful influence over Brazil's ministries and its foreign trade policies. Their interests often contradict those of social movements and the government's supposed commitment to a new development path and a more inclusive politics. The composition of the Brazilian delegation to multilateral or bilateral trade negotiations provides a good example of the continued contestation of power in the government: in the same delegation, one found the Ministry of Agriculture representing the agribusiness sector and the Ministry of Agrarian Development, which represented the interests of peasant farmers.19

The contradictions were also evident in the long and bitter debate in the Brazilian congress over revisions to the Forest Code (FC), fuelled by tensions between the agribusiness lobby, government enforcement agencies, and environmentalists. Created in 1965, the FC was transformed via a series of presidential decrees during the 1990s into a de facto environmental law.[20] A decade of lobbying by agribusiness interests resulted in proposed amendments which loosened environmental protection and regulation. After five years before the Brazilian Congress, and repeated presidential vetoes of elements of the bill, it came into law in October 2012.[21] In trying to find a balance between sustainable economic growth and environmental responsibility, the result satisfied nobody and remains controversial.[22]

Early in 2014, Brazil's ombudsman—charged with protecting the rights of citizens under the Brazilian Constitution—"brought constitutional challenges to 39 provisions of the revised forest code. At the heart of the argument is the Brazilian government's constitutional duty to protect an ecologically balanced environment for the benefit of current and future generations."[23]

BRAZIL TODAY

The calamity of the international economic crisis in September 2008 seemed to mark a decisive turning point for countries such as Brazil vis-a-vis the rich nations of the North. For it was the industrialised countries that had most benefited from, or defended, the previous neoliberal model—like the US, England, Japan and Mexico, among others—which were hit the hardest by the crisis. The US in particular was at the epicentre of the crisis. In the aftermath of the failed Iraq invasion, there was a clear sense that the days of US unrivalled global dominance were numbered.

Latin America, by contrast experienced a rather unusual period of generalised growth despite the economic crisis— something it had not seen for over three decades. Much of this has been attributed to the countries' large international reserves and favourable commodity prices. However another key cause of Latin America's apparent immunisation from the global crisis was due to the domestic policies adopted by countries such as Brazil, based on income transfer programs, minimum wages and wage increases. In other words, the expansion of domestic consumption had created a *virtuous cycle* which led to increased private investment, higher tax revenues and even more room to raise public spending—either through additional income transfer programs or public investment.

Brazil also took other proactive measures, including expanding credit for consumers and financial support to the business sector. This set of measures resulted in rapid economic recovery for Brazil and the majority of South American countries, starting as early as the second half of 2009. However, it also had some negative impacts: by attracting foreign capital in hot pursuit of high returns, the value of the Brazilian real ended up increasing. The real's value rose sharply throughout 2010, reducing the trade surplus, which, after hitting a peak of nearly $46.5 billion in 2006, fell to about $25 billion in 2008. It remained at that level throughout 2009 and then declined slowly, down to $19.5 billion in 2012. The current account balance, after years of being positive (since the beginning of the Lula government), began to operate in the red from 2008 onwards

These results set off warning lights for the government. In January 2010, the government announced various incentives to enhance Brazil's trade performance, at the heart of which were tax relief measures, as usual. Also central was the government's intention of intensifying the signing of new trade agreements. According to government data, countries and regions identified as a priority for agreements were: the US, Canada and Mexico, Chile, Colombia, Peru, Eastern European countries, Iran, Saudi Arabia, Egypt, South East Asia and West Africa (Kenya and Sudan were mentioned on the list).

On the other hand, the increasing costs of infrastructure projects, whether related or not to mega-events such as the World Cup or the Olympic Games, supported by the public budgets (federal-, state- or municipal- level budgets) and the cuts in social expenditures, as well as guarantees for profits for some strategic areas, such as urban transportation (which is operated by private entrepreneurs) and public-private partnerships led to a social explosion in the mid-2013. The political consequences of this upheaval, particularly in the forthcoming national elections in October 2014, remains to be seen.

The search for an end to external and internal vulnerability seems destined to continue. The challenge for social movements is to reclaim their leadership role not only in challenging the costs of export and TNC-led development, but also to articulate alternatives that can revive the hopes that Brazil offered popular movements in the early years of the twenty-first century.

Endnotes

1 The “Real Plan” or *Plano Real*—named after the new Brazilian currency created in July 1994, the “real”—was the stabilization plan launched in 1993-1994. The plan consisted of a combination of trade and financial liberalisation, with the establishment of an overvalued fixed exchange rate in order to force prices to drop quickly, and the use of capital inflows to deal with the current account deficits brought on by the combination of these measures.

2 This figure includes a large number of public bonds indexed at the exchange rate.

3 In the deals with the IMF and other financial institutions, Brazilian authorities agreed to treat public investments and public expenditures as one and the same thing. As much of the investment in infrastructure in Brazil came from state-owned companies, the cutbacks that resulted from the agreements with the international financial institutions affected these investments. This eventually caused many infrastructure-related sectors—such as energy and transportation—to experience major operational problems. The national power grid, for example, became unstable, and in 2002 three of Brazil's five major regions— including the southeast region, where Rio de Janeiro and Sao Paulo, the country's two largest cities, are located—experienced blackouts. This generated not only economic losses at the time, but also risks for development in the future.

4 The government program proposed during President Lula's election campaign in 2002 stated that strengthening relations within South America was one possible way of gaining power to confront proposals developed under US hegemony, like the FTAA. The *2002 Government Program* can be found in the archives of the PT website: www.pt.org.br.

5 In November 2012, Brazil's international reserves were estimated at more than $370 billion.

6 See http://www.reuters.com/article/2014/06/24/brazil-economy-external-idUSL2N0P50K220140624

7 For more on this issue, see Tautz, C., Siston, F., Pinto, J.R.L., and Badin, L. (2010).“O BNDES e a reorganização do capitalismo brasileiro: um debate necessário”, in Os Anos Lula: contribuições para um balanço crítico 2003-2010, Ed. Garamond: Rio de Janeiro, pp. 249-286.

8 See: http://www.forbes.com/global2000/

9 Especially in cases in South America and Africa, the BNDES assumed an important role in the transnationalisation of Brazilian companies. The bank has set up offices in Montevideo (Uruguay) and London (United Kingdom), and is acting as a sort of secretariat for discussions on strategies for coordination between existing development banks in the BRICS. It is also contributing to the discussion within the BRICS (Brazil, Russia, India, China and South Africa) on the organisation of a new financial institution for global development, which is to controlled by the members of the group.

10 Amorim, C. (2004). Conceitos e estratégias da diplomacia do governo Lula. *Diplomacia, Estratégia e Política*. 1(1). Brasília: Projeto Raúl Prebisch.

11 Structural Convergence Fund (SCF) to which countries provide resources according to their economic power. The projects to be financed must benefit the poorest countries. In practice, this means that mainly Brazil, and Argentina to a lesser extent, are financing projects in Uruguay and Paraguay.

12 ALBA—formally, the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Treaty (*Alianza Bolivariana para los Pueblos de Nuestra América - Tratado de los Comercios de los Pueblos*)—is made up of Bolivia, Ecuador, Nicaragua and Venezuela, as well as the Caribbean countries of Cuba, Dominica, Antigua & Barbuda, Saint Lucia, and Saint Vincent & the Grenadines; Suriname was admitted as a guest country in 2012.

13 Argentina, Brazil and Venezuela have signed a commitment to each contribute 20 per cent of the subscribed capital of $7 billion, while Bolivia, Ecuador, Paraguay and Uruguay have pledged 10 per cent each The institution's final decision-making structure differs significantly from that of traditional multilateral financial institutions, like the IADB, the IMF or the World Bank, where voting power varies according to each country's quota.

14 Munevar, D. (2013). Banco do Sul segue mais como promessa do que realidade. *Correio do Brasil*. August 1, 2013, http://correiodobrasil.com.br/ultimas/banco-do-sul-segue-mais-como-promessa-do-que-realidade/632061/

15 Amorim, C. (2014). Conceitos e estratégias da diplomacia do governo Lula. In Diplomacia, Estratégia e Política. 1(1). Brasília: Projeto Raúl Prebisch.

16 Anderson, P. (2011). O Brasil de Lula, Novos Estudos CEBRAP, n.91, S. Paulo.

17 Brazil says Amazon deforestation rose 28% in a year. (2013). *BBC News*, November 15 2013, Retrieved June 21 2014, from http://www.bbc.com/news/world-latin-america-24950487 ; Carrington, D. (2013). Amazon deforestation increased by one-third in past year. *Guardian*, November 15 2013, Retrieved June 21 2014, from http://www.theguardian.com/environment/2013/nov/15/amazon-deforestation-increased-one-third. See also the interactive map prepared by the University of Maryland, at http://earthenginepartners.appspot.com/science-2013-global-forest

18 *Quem ganha e quem perde com as exportações brasileiras*. (2008). Rio de Janeiro: REBRIP/FASE. Available at: http://www.rebrip.org.br/downloads/sistema/material/3/exportacoes-brasileiras-rebrip-fase.pdf/quem-ganha-e-quem-perde-com-as-exportacoes-brasileiras.pdf

19 *Negociações Comerciais na Era Lula. criação do G-20 e embates entre o agronegócio e a agricultura familiar*. (2004). Rio de Janeiro: ActionAid Brasil/REBRIP. November 2004. Available at: https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCEQFjAA&url=http%3A%2F%2Fwww.rebrip.org.br%2Fdownloads%2Fsistema%2Fdocumentos%2F67%2FNegociacoes%2520Comerciais%2520Internacionais%2520na%2520era%2520Lula.pdf%2Fnegociaco

20 For details of the 1965 FC and subsequent amendments and decrees, see: http://faolex.fao.org/cgi-bin/faolex.exe?rec_id=008606&database=FAOLEX&search_type=link&table=result&lang=eng&format_name=@ERALL

21 Federal Law 12.727, 17 October 2012; http://www.planalto.gov.br/ccivil_03/_Ato2011-2014/2012/Lei/L12727.htm

22 For a comprehensive examination of the FC and its implications, see Soares-Filho, B., Rajao, R., Macedo, M., Carneiro, A., Costa, W., Coe, M., Rodrigues, H., Alencar. A. (2014). Cracking Brazil's Forest Code. *Science*, 344 (6182): 363 http://www.sciencemag.org/content/344/6182/363.full.pdf. See also Haley, I. (2014). *Decoding The Amazon: Brazil's Controversial New Forest Code*, http://www.duqlawblogs.org/joule/decoding-the-amazon-brazils-controversial-new-forest-code/

23 Haley, I. (2014). *Decoding The Amazon*: *Brazil's Controversial New Forest Code*, http://www.duqlawblogs.org/joule/decoding-the-amazon-brazils-controversial-new-forest-code/

SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER THREE

CHINA RISING

A NEW WORLD ORDER OR AN OLD ORDER RENEWED?

DOROTHY GRACE GUERRERO

China Rising: A new world order or an old order renewed?

DOROTHY GRACE GUERRERO*

China's remarkable economic performance over more than thirty five years and its transformation into one of the world's biggest trading powers, has led many to believe that it will be the successor to the US in global dominance. The stagnation of the advanced capitalist economies and contraction of the economies in the Eurozone in recent years have strengthened the notion that the world is at a turning point in the balance of power between the advanced economies of the North and the emerging economies of the South such as China, India, Brazil and South Africa.[1]

The new configuration of power has increased the representation of developing countries in key and decisive processes in the United Nations, the World Trade Organisation and International Financial Institutions like the World Bank and International Monetary Bank, as well as in informal but strategic summits like the G20 group. Little attention has been given, however, to the central issue for many people in the South, which is not just China's rise or growth nor even the relative state of democracy there. The more important question is whether China and the other new actors are offering a new and better model of development that could chart economic and social progress for other developing countries?

Already a growing number of voices are pointing to China becoming a "sub-imperialist" or a "new imperialist" power that is continuing the same or more intense practices of exploitation and extraction of resources from poorer countries to enable it to join the ranks of the world's high income countries.[2] Given China's extraordinary success as a new economic power in the global economy, is China resuscitating a flagging and failing capitalist system? Is it giving new energy to the same unsustainable and unjust paradigm that facilitates the accumulation of wealth by a few while resulting in dispossession and pauperisation of the already marginalised and disempowered?

It is certainly the time to turn the spotlight on the implications for civil society of a global order in which China is an ever more dominant player. Various forecasts predict that China will soon surpass the US as the top global economic power.[3] Whether this will happen as early as 2016 as the IMF predicted using purchasing power parity as basis of analysis[4] or by 2020[5] or by 2030[6] according to the World Bank, most "guesstimates" agree that it will be earlier than previous assessments.

China's rise to the top does not of course mean that China will soon rule the world the way the US does. It is beset by huge challenges and contradictions: limited agricultural land and water resources to meet the needs (and demands) of its massive population and fuel its continuing growth; increasingly polluted air and water; widening income disparities, especially between urban and rural populations; the inevitable collapse of unsustainable price controls on fuel and food; and massive corruption are just some of the problems that could raise people's discontent and upset the Communist Party's control. There is also a growing civil society that must be involved in global movements for justice. The fact that it makes up a seventh of the world's population, and that its social and environmental policies will impact on everyone globally, means that understanding China is more important than ever before.

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CENTRAL PRINCIPLES OF CHINESE GROWTH AND POWER

To understand China's development and its projection as a global power, it is important to both understand its history and some of the core principles and objectives that drive Chinese governing elites, both prior to 1949 and up to today.

Martin Jacques, author of *When China Rules the World*, argues that we need to understand China as a "civilizational state" and not just through a Western-originated notion of a nation state[7]. All over the world, the Chinese consider themselves to be part of a single civilisation with strong values of ancestor worship, *guanxi* (understanding of connections or relations), and Confucian culture and so on. Chinese understanding of race and difference is important to consider in studying how they perceive unity and identity. There are also different understandings of democracy, statehood and social relationships. Combined with strong historical lessons brought about by experiences of foreign interventions and internal conflicts, the state has managed to develop a political culture that bolsters its legitimacy in managing the economy, politics and society. This has allowed the state more freedom to implement policies affecting public life (like mega-projects from the ancient Chinese Wall to present-day giant dams and high speed trains) as well as private life (one child policy, social welfare and subsidies).

The government's argument that states' sovereign rights trump human rights and its continuing refusal to follow Western style democracy does not mean that universal norms such as human rights, labour and environmental standards should not apply to China or don't make sense in China. The Chinese government still views human rights in strongly aspirational rather than legal terms by arguing for priority to be placed on socio-economic rights and the right to development, and continues to insist that human rights should be implemented according to a country's national conditions.[8] Recently, however, it did sign a wide range of human rights treaties and has also officially accepted the universality of human rights. Of course these international moves are not always complemented by actions at home. The more interesting development, however, is the increasing number of voices in Chinese society that are beginning to question old notions of state power and practices of government officials. Many express their desires to live well, to live in a healthy environment and to live with dignity. In fact many are now organising themselves and expressing their dissatisfaction over the worsening state of the environment, air pollution in cities, deplorable working conditions and low wages, corruption, substandard quality of food and other basic commodities and the overall lack of participation in decision-making processes that directly affect their livelihood, access to, and management of, resources.

China kept a chauvinistic policy before 1978 and foreigners who lived and visited the country often remarked that the Chinese had a Sinocentric view and general lack of trust to foreigners. This attitude is shaped by what most Chinese explained as the humiliation they experienced with foreign domination. It also can be traced further back to a time when the Chinese elite viewed themselves to have the most advanced civilization—the name China (中国, Zhōngguó) means the land in the "middle of the universe" —and considered China the cultural center of the world. Mao Zedong called it Han chauvinism; the Hans are the dominant ethnic group in China. It is no longer a prevalent notion among current officials, nevertheless, the attitudes still linger to some extent today.

The post-revolution period from 1949, saw huge transformation of society brought about by the mobilisation of mass movements under the direction of a single party to deliver land reform from 1950 to 1953, marriage reform in 1952, collectivisation of agriculture in 1953 and nationalisation of private industry by 1955. Some of these reforms involved terrible human costs, most notably the famine caused by the Great Leap Forward (1958-61), which led to an estimated 18-45 million deaths. At the same time, some of China's pre-1979 policies did lay the foundations for an economic and industrial infrastructure and social and educational base.

In 1978 the Chinese Communist Party took a radically different path of using markets to achieve rapid growth and catch up with the advanced economies. Deng Xiaoping, the architect of reform, described the Chinese approach as "crossing the river by touching the stones". This well known metaphor describes the experimental nature of the reform, whereby the Party looked for areas where positive changes could be made, continued if concrete results or success were achieved and if not, reversed step-by-step.

The government's 11th and 12th Five Year Plans (2006-2010 and 2011-2015 respectively) have focused on quality of growth, structural reforms to harness innovation and economic efficiency, and social inclusion to overcome the rural-urban divide and the income inequality gap. The goal has been to both introduce necessary reform and at the same time maintain stability. This is no easy task as Yu Jianrong, a prominent and influential scholar who heads the Rural Development Institute of the China Academy for Social Sciences (CASS), explains. Given increased conflicts of interests between various actors in national and local governments, various policy flaws emanating from differences between the clamor for reforms and the need to maintain stability, the development of information technology and the increasing consciousness of citizens about their rights, China's political fixation with 'stability at all costs', Yu argues, breeds rigidity, discourages flexibility and innovation in responding to emerging social problems and, most importantly, hampers the development of more appropriate institutional responses to social conflicts.[9]

The Chinese regime's determination to guarantee stability certainly shapes their economic policies, particularly their overriding mission to both secure the supply of energy and other natural resources that it needs for its manufacturing exports and to expand their market to continue its growth. This relentless drive for economic growth has had implications internally (particularly social and environmental) as well as externally where China's hunger for resources has led to conflicts with affected communities.

Nevertheless, China's leaders have been very careful to distinguish China's rise from those of colonial and imperial nations. In their discourse, they call their vision *heping jueqi* or the peaceful rise of China and present this as underpinning their policies on trade, development assistance and cooperation. China argues that as a developing country, it shares their status with other developing countries and so portrays its trade, investment and development relations with other developing countries as being forged in the spirit of South-South cooperation. It assures its Southern partners, on many occasions and in many statements, that its rise should be seen as non-threatening because it also suffered from domination from foreign powers and therefore will not become a coloniser or dominant power to them. Chinese leaders repeatedly express that China did not seek hegemony before and will not seek hegemony now and in the future.

Chinese officials also point out that China is expanding its political influence through an institutional approach, that is, by means of international cooperation and integration into the international community. In 2007, the Chinese Communist Party under Hu Jintao institutionalized harmonious world (*hexie shijie*) as its foreign policy, a counterpart to the national policy discourse of harmonious society (*hexie shehui*).[10]

China's diplomacy is presented as pushing for its core interests of safeguarding of sovereignty, security, and development. These core interests can be more usefully detailed as ensuring China's political stability, namely, the stability of the CCP leadership and of the socialist system; second, sovereign security, territorial integrity, and national unification; and third, China's economic and social development.

There are two opinions in the leadership on what is the best strategy for upholding such interests. The first one is based on Deng Xiaoping's teaching of *tao guang yang hui*, or keeping a low profile in international affairs promoted by prominent political figures, such as Tang Jiaxuan, former foreign minister, and General Xiong Guangkai, former deputy chief of staff of the People's Liberation Army. They argue that since China remains a developing country, it should concentrate on economic development. The second is the nationalist one, which is pressing for a more "can-do" foreign policy since China is more powerful now than before.[11]

At the same time, China adamantly asserts the integrity of its territorial sovereignty and does not allow any partner state to make official diplomatic relationships with Taiwan, the Government of Tibet in Exile or East Turkistan (Xinjiang) Independence Movement groups. This assertion of China's territorial sovereignty is also reflected in its assertions of sovereignty over disputed territories such as the Spratly Islands or indeed control of the South China Sea itself.

CHINA's ECONOMIC GROWTH: CAUSES AND EFFECTS

China's rise as a global power is largely predicated on its incredible economic growth in the last three decades. Its embrace of "free market" economic policies is frequently cited as the main cause of this growth and is used to bolster the case for neoliberal globalisation elsewhere. But the path China followed is different, and at least on economic grounds, more successful than the "shock therapy" followed by other formerly communist planned economies such as Russia.[12]

China did not achieve such phenomenal growth simply by opening up its economy. The first point to note is that China's pre-1978 condition wherein people already had access to land and universal health care and primary education, played an important role in the country's readiness for economic take-off in the 1980s. Indeed, social development was a major component that helped China in its early phase of transition to the market economy. Without comprehensive land reform followed by the formation of agricultural co-operatives and, later, people's communes, the reform policies after 1979 could not have been implemented successfully.[13] China's industrialisation was aided by rural development, safety nets enjoyed by rural families and workers, and security of land tenure.

China was also extremely cautious and pragmatic in how it opened up its economy. China's reform process had four phases: First, gradual opening to the global economy and policy reformulation (from 1978—1986). From 1979 to 1984, the Chinese government established new regulations to permit joint ventures using foreign capital and established four Special Economic Zones (SEZs) in Shenzhen, Zhuhai, Shantou, and Xiamen.[15] The commune system was dissolved and state-owned enterprises were privatised (or corporatised) in 1984. In the second phase from 1986—1992, China developed "twenty two regulations", which created a more beneficial environment for foreign investors, whilst maintaining considerable state control to maximise benefits from this investment.

Table 1. China's Historical GDP Figures from 1978 - 2012 [14]

	GDP in Millions (US$)		GDP per Capita	
Year	Growth Based on PPP	Real Growth	PPP	Real Growth
2012	9.7	7.8	9,185	7.2
2011	11.6	9.3	8,411	8.8
2010	11.9	10.4	7,571	9.9
2008	12.1	9.6	6,201	9.1
2006	16.3	12.7	4,759	12
2004	13.0	10.1	3,625	9.4
2002	10.8	9.1	2,891	8.4
2000	10.8	8.4	2,388	7.6
1995	13.2	10.9	1,521	9.7
1990	13.0	9.2	894	2.3
1985	16.9	13.5	506	11.9
1980		7.8	252	6.5
1978		11.7		10.2

Source: China Statistical Yearbook 2012

In the third phase from 1992—2001, China became one of the largest beneficiaries of FDI, which successfully interacted with the domestic market and made it possible to build domestic transnational corporations (TNCs). During this phase, the Chinese people experienced the rolling back of the welfare state in exchange for the encouragement of foreign investment. Popular displeasure with the consequences of those reforms in part prompted the 1989 Tiananmen protests. The fourth and most recent stage has involved China's accession to the WTO and its emergence as a global trading super-power, and a major exporter of capital and foreign direct investment through its own transnational companies.[16] By the time China joined the WTO in 2001, it had substantially liberalised its economy including amending more than 2,500 of its national laws and regulations—and repealing more than 800 others—to fulfil WTO rules.[17]

China followed the Japanese approach of managing the process and regulating the entry of foreign firms, while simultaneously preparing local companies for the transition. The Chinese approach was always piecemeal, partial, incremental, often experimental, and characteristically without large-scale privatisation.[18] In the early stage of reform, foreign industries were allowed in to enable Chinese companies to learn modern labour and management skills, as well as accessing higher levels of technology. This gradual type of reform and focus on development of local industries and human capital—contrary to the prescriptions of neoliberal institutions and advisers such as the World Bank and the International Monetary Fund—allowed the government to retain its role as a stabilising force in the transition and enabled it to facilitate a measured de-centralisation of investments and privatisation of enterprises.

Table 2. FDI Shares as Percentage of Gross Fixed Capital Formation

	1980	1985	1990	1995	2000	2005	2010	2012
China	0.10	2.10	3.50	15.00	10.00	7.70	4.20	3.30
Hong Kong	_	_	16.30	14.40	158.10	110.20	173.50	118.20
Taiwan	_	_	3.40	2.20	6.10	2.00	2.70	3.40
Developing Countries	15.34	26.27	17.19	34.46	18.12	_	45.20	52.00
East Asia	11.23	14.85	4.00	8.40	18.00	9.60	6.80	5.10
EU	2.50	2.60	6.00	7.30	40.10	18.20	12.60	8.60
US	3.00	2.50	4.80	4.50	16.10	4.30	9.50	7.10
Japan	0.10	0.20	0.20	0.00	0.70	0.30	-0.10	0.10
South Africa	_	_	_	5.20	4.40	16.10	1.70	6.10
Brazil	3.40	3.80	1.00	3.00	30.30	10.70	11.60	15.10
India	0.20	0.20	0.30	2.20	3.40	3.30	3.90	4.30
Russia	_	_	_	2.50	6.20	9.50	13.30	12.00

Sources: World Investment Report 2008; World Investment Report 2013

* FDI flows are investments by foreign enterprises made during a period of time and measured by calendar or tax year. It measures the cross-border funds that finance FDI. They do NOT include foreign investment that is financed domestically in the host country, nor any change in valuation.

Despite the high levels of state control, foreign direct investment was attracted in unprecedented volumes to China due to its low tax rates, low rent, cheap resources, low wages, absence of genuine trade unions, no-strike laws and so on. China's combination of relative freedom for capital with repression of labour made it highly seductive to transnational companies. The result was that FDI into China grew thirty-fold between 1990 and 2010. In the first half of 2012, China surpassed the US as the world's largest recipient of global foreign direct investment (FDI).[19] As China's economy expanded and a wealthy and middle class emerged, it became an even more attractive proposition for multinationals determined to access an untapped market.

Table 3. Annual Inward Foreign Direct Investment Stock 1980 -2011 (in millions US$) [20]

Year	China	Developing Economies	China's Share of Developing Country FDI %
1980	_	297,319	
1985	900	373,891	.21
1990	4,455	517,200	.86
1995	17,768	874,292	2.03
2000	27,768	1,735,488	1.60
2005	57,206	2,712,820	2.10
2010	298,411	6,256,066	4.76
2011	365,981	6,625,032	5.52

Source: United Nations Conference on Trade and Development, Inward and Outward Foreign Direct Investment Stock Annual 1980 -2011, http://unctadstat.unctad.org/TableViewer/tableView.aspx

* FDI stocks measure the level of cumulative FDI stock of capital investment by foreign enterprises at a single point of time. Measures of FDI stocks take account of new investment and disinvestment. They can also change due to changes in the value of the existing stock of foreign owned assets.

There are great pressures from inside and outside China to liberalise even more. Even today, decades after the start of its liberalisation process, the government still directs seventy per cent of all investment spending in the country and keeps control over companies in the strategic sectors of energy, telecommunications, shipping and defence industries. And while it has liberalised product markets, it continues to largely control factor markets: setting the prices for labour, land, capital, resources and the environment.[21] China may be considered an economic success story, but it is certainly not a Washington or neoliberal success story.

RESULTS OF CHINA's GROWTH

Since it started the programme of market reforms in 1978, China has sustained an average economic growth of ten per cent every year, for thirty years. China's gross domestic product (GDP) was worth $7298.10 billion in 2011, which is roughly equivalent to 11.8 per cent of the world economy, and it had recently graduated in status to a middle-income country.[22] Since the 2008 global financial crisis, China has accounted for more than 35 per cent of all global economic growth.[23]

However, it is important to remember that China's *per capita* GDP still lags far behind that of developed countries. The World Bank 2012 Report in fact showed that China's per capita gross national income (GNI) of $8,450 in 2011 put the country in rank number 115 globally.[24]

Table 4. Economic and Social Indicators Comparison of BRICS Countries [25]

	Year	Infant Mortality Rate*	Maternal Mortality Rate*	Unemployment Rate*	Gini Co-efficient	% of Public Expen-diture on Education	% of Public Expen-diture on Health
Brazil	2012	20.3	_	6.7	0.501	4.3	4.8
Russian Federation	2012	8.7	0.10	5.5	42.0	4.1	3.7
India	2010	47.0	212	3.8	0.32	3.8	1.3
China	2011	12.1	26.1	4.1	0.474	3.9	5.2
South Africa	2011	37.9	_	25.0	0.65	6.8	4.0

Source: BRICS Joint Statistical Publication 2013: Brazil, Russia, India, China, South Africa, Official Publication released during the Fifth BRICS Summit, Durban, South Africa Statistics. http://www.brics5.co.za/joint-statistical-publication-released-at-brics-summit/ * Unit—per 1000

Today's China is now unrecognisable to those who have not set foot in the country in the last ten years. In major cities, high-rises and iconic buildings, designed by local and world-renowned architects, dominate the skyline. In 2012 China surpassed the one million mark for millionaires[26].

The BRICS Joint Statistics database shows that for every 100 people in urban areas, eight now owns a car compared to none in 2000. However, as shown in the Gini Coefficient figure in Table 4, economic growth has not benefited everyone, particularly those in the countryside. In 2011, 128 million Chinese or 13.4 per cent of the population were still under the poverty line.[27] Chinese NGOs often mention that the living standards of people (education, sanitation, medical services, etc.) in the countryside are behind those of city dwellers by ten years. This can be seen in both the disposable income and per capita consumption expenditure figures. Currently the *disposable* income of an average urban household is RMB 24,565 ($4,019) per year, while the net income of rural households lags at RMB 7,917 ($1,295) per year. The per capita consumption expenditure of households in the urban areas is RMB 16,674 or$2,728 while rural households spend RMB 5,908 or $967 per year.

Poverty, lack of opportunity, inequality and the pull of city life encourage massive migration of young people to low-paying jobs in special economic zones where they are exploited through low wage and substandard living conditions without rights. China's *hukou* system – a system of household registration that limits mobility and rights, particularly of rural citizens living in urban zones – is akin to apartheid but based on one's place of origin. The issue of inequality and the rural-urban divide has become a focus of major internal political debates in recent years. In February 2013, the State Council unveiled a 35-Point Income Distribution Plan to tackle the problem of inequality. Officials were ordered to refrain from giving luxury item gifts to guests and to stop flaunting expensive personal items like cars, luxury watches and bags. Advertising of luxury products were also banned. Postings in Weibo (China's version of Twitter, which has more than 700 million users) generally criticise the measures for failing to target massive corruption.

China's rapid economic growth has also been accompanied by serious environmental problems. China's limited natural resources are fast disappearing and in critical condition. Water scarcity, desertification and decreasing land for agriculture, heavy pollution and so on are perennial problems. The 2012 Environmental Conditions Report of the Ministry of Environmental Protection found that 57.3 per cent of the groundwater in 198 monitoring sites in 4,929 cities in 2012 was "bad" or "extremely bad", while more than 30 per cent of the country's major rivers were "polluted" or "seriously polluted". Five of the 10 largest river basins were measured as polluted, with 25 per cent of the 60 lakes tested found to be eutrophicated or severely affected by algae.[28]

On top of that, China is also a target of blame for contributing to climate change as it is now the world's highest annual emitter of carbon dioxide (CO_2). The Deputy Director of the State Environmental Protection Administration Pan Yue recognized the costs of China's economic development in his 2006 essay *Evolution of an Ecological Civilisation* when he wrote: "In 20 years China has achieved economic results that took a century to attain in the west. But we have also concentrated a century's worth of environmental issues in those 20 years."[29]

Just one example of the environmental costs for China's people can be seen in the smog and air pollution experienced in Beijing and other major cities. In mid-January 2013, visibility plummeted down to 50 meters and the Air Quality Index (AQI) for PM2.5 particles (the tiny particulate matter thought particularly damaging to health because it can penetrate deep into the lungs) exceeded 900, the highest and most toxic measurement recorded in China. An AQI of 301-500 is already considered hazardous where all outdoor physical activities should be avoided. Stores sold out of masks, the demand for air purifiers shot up and the city was forced to draw up a pollution emergency response plan which halted work on several construction sites, slowed down production in various factories and curbed use of cars.

The Chinese government insists that it is already addressing its environmental problems and climate change, not just because of its responsibility to the international community but also because it will be good for China to do so.[30] In the 9th Development Plan, which covered the years 1996 to 2000, China started setting national caps on emissions of 12 major pollutants, which includes sulphur dioxide and chemical oxygen demand (COD—a measure of water pollution). As these targets were not met and in the face of higher than planned for energy consumption, the government put in place stricter measures in the 11th five-year plan (2006 to 2010), which imposed mandatory ten per cent emission cuts. For the first time too, environmental targets were included in the social and economic development plans.[31] In the 12th Development Plan (2011-15), the building of a green economy has been set as the main strategic policy theme. The extreme level of air pollution in January 2013 forced the government to take drastic measures like closing factories, imposing a ban on government employees using their cars to encourage them to use public transport, advising parents to keep their children indoors and ordering schools to close for several days. However, the problem will not be solved soon: the Ministry of Environmental Protection admits that it will take as long as 2030 before Chinese cities can enjoy good air quality.

In May 2013, President Xi Jinping pledged that China will not sacrifice the environment for temporary economic growth and called for an all-round effort to carefully balance economic development and environmental protection. However, this may not lead to a fundamental redirection of the economy. China continues to focus on renewable energy production mainly for export. More than 25 per cent of the world's solar panel supply comes from China and 95 per cent of the country's production is for export rather than domestic use in industrial plants and buildings. Meanwhile the ongoing appropriation of land and resources to build environmentally and socially damaging large-scale projects like hydropower dams, coal plants and other extractive industries also suggests little shift from an unsustainable economic model. Indeed the embrace of the concept of 'green economy' by China seems so far to mirror the global corporate consensus that seeks to set a new stage in the reconfiguration of capitalism by treating nature as capital.

CHINA AS A GLOBAL ECONOMIC PLAYER

When it started its open door policy in 1979, China virtually had no outward foreign direct investment (OFDI). Since then it has moved up the global ranking and moved to third position in OFDI in 2012 with a record US$ 84 billion outflow. [32]

In 2001 Premier Zhu Rongji officially used the term *going out*[33] in reference to outward foreign direct investment (OFDI) as the complementary strategy of *inviting in* (inward FDI or IFDI). The *going out* strategy looked to create and expand the market space for Chinese exports, increase capacity and learning for its transnational corporations (TNCs), secure resources and technology for their production processes, and raise the prestige of Chinese brands. However, as can be seen in Table 5, China's incoming FDI is still consistently three to four times that of outgoing FDI. The opposite is the case for Japan, US and Germany where outgoing investments are much greater than incoming.

China's Ministry of Commerce records shows that non-financial OFDI rose by 1.8 per cent year-on-year to $74.65 billion in 2011. China made investments in 132 countries and regions in 2011; the sixth largest source of OFDI worldwide.[34] China can mobilise about $1.4 trillion for capital investment—equivalent to one fifth of its GDP—which means that China has emerged as a major exporter of capital as well as goods, shaping its relationship with the North and with developing countries.[35]

In the process, Chinese TNCs have become the largest single source of new multinationals within this decade. They include trading companies, manufacturing enterprises, financial institutions, and construction companies. The most known ones to date are Lenovo, which bought IBM's personal computer division in 2005, Haier emerging as a global player in appliances with retail volume share reaching 8.6 per cent of the world market in 2012[36] and Huawei Technologies that is competing against other established companies that used to dominate telecommunications equipment around the world with 4.8 per cent of global market share and now 5th in the rank of global brands[37].

Table 5. **Foreign Direct Investment: Inflows and Outflows** (in billions US$)

	2007		2008		2009		2010		2011	
	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI
USA	221.2	414.0	310.1	329.1	150.4	289.5	205.8	327.9	234.0	419.3
China	160.1	17.0	175.1	53.5	114.2	43.9	185.0	60.1	228.6	43.0
Germany	80.2	170.6	8.1	72.6	24.2	75.4	46.9	109.3	40.4	54.4
Japan	22.5	73.5	24.4	128.8	11.9	74.7	-1.3	56.3	-1.8	114.3
Russia	55.1	45.9	75.0	55.6	36.5	43.7	43.3	60.1	52.9	43.0
Brazil	34.6	7.1	45.1	20.5	25.9	-10.1	48.5	11.6	66.7	-1.0
India	25.5	17.3	43.4	19.3	35.6	15.9	25.9	14.8	34.2	12.4
S. Africa	5.7	3.0	9.0	-3.1	5.7	1.2	1.2	-0.1	5.8	-0.6

Source: OECD International Direct Investment Database, Eurostat, IMF, OECD/DAF Investment Division.[38]

Increased investment has been accompanied by increased trading relations, particularly in East Asia and the Pacific. Since 2002, China has signed free trade agreements (FTAs) with ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, Costa Rica as well as economic partnership agreements (EPAs) with Hong Kong, Macau and Taiwan. It is negotiating FTAs with the Gulf Cooperation Council (GCC), Australia, Iceland, Norway, Southern African Customs Union, Switzerland and a three-way agreement with Japan and South Korea. It is in the stage of finishing FTA feasibility studies with India and South Korea.[39]

Table 6. **China's OFDI Flow by Global Region, 2009-10** (in millions US$)[40]

Region	2009	2010	% Change
Africa	1,438.9	2,112.0	46.8
Asia	40,407.6	44,890.5	11.1
Europe	3,352.7	6,760.2	101.6
Latin America	7,327.9	10,538.3	43.8
North America	1,521.9	2,621.4	72.2
Oceania	2,480.0	1,889.0	-23.8
Total	56,528.1	68,811.3	21.7

Source: Ministry of Commerce PRC, National Bureau of Statistics (NBS), State Administration of Foreign Exchange (SAFE). See Endnote 40.

Asia remains the primary destination of Chinese OFDI. Asia received 65.3 per cent of Chinese investment in 2010, with Hong Kong getting three-quarters of that investment. Latin America is the second-largest recipient of Chinese OFDI. Trade between China and Latin America surpassed $250bn by end of 2012. Since 2005, China has provided loan commitments of more than $86bn to Latin American countries. It is seen favorably in the region as every one per cent increase in Chinese growth is correlated with a 1.2 per cent increase in Latin American growth.[41]

Although Africa is receiving less of China's OFDI, China now trades with 53 African countries and has been providing zero-tariff treatment for the poorest African countries since 2005. Bilateral trade between China and Africa reached $166.3 billion in 2011, an 83 per cent increase from 2009, which made China the continent's biggest trading partner. Chinese OFDI in Africa reached $14.7 billion at the end of 2011, up by 60 per cent from 2009.[42] Over 2,000 Chinese companies have invested in Africa, which the Chinese government claims have helped promote economic diversification in the continent, raise local tax revenues and boost employment. China's investments include mines, dams and many big infrastructure projects.[43]

China is also actively investing in the North. In 2012, Premier Wen Jiabao announced the creation of a $10 billion credit line to support Chinese investments in Central European infrastructure and in new technology and renewable energy. At a China-Central Europe Economic Forum in Warsaw, leaders of 16 countries in the region all traveled to the Polish capital to meet with Wen.[44] In early May 2012, then US State Secretary Hillary Clinton's plea for the Chinese to continue buying US bonds during her visit to Beijing underscored the interdependence between the US and China, or indeed US dependence on China as a destination for FDI and as buyer of debt.

Table 7. **China's Main Trade Partners** (in millions US$)

Countries	Import from Major Trade Partners in 2011	Export to Major Trade Partners in 2012
Hong Kong, China	15,492	323,527
India	18,799	47,673
Japan	177,809	151,643
South Korea	168,648	87,681
Taiwan	132,184	36,779
South Africa	49,614	15,327
Germany	91,912	69,218
Russia	44,101	44,058
Brazil	52,301	33,415
United States	132,886	351,796
Australia	84,561	37,740
ASEAN	195,821	204,272
European Union	212,055	333,988

Source: World Trade Organisation. (2013). International Trade Statistics 2013 http://www.wto.org/english/res_e/statis_e/its2013_e/its13_appendix_e.htm

China's export credit and guarantee agencies—particularly China EximBank and Sinosure—are two of the key agencies fostering the expansion of Chinese trade and overseas investments. Between 2001 and 2010, China extended $67.2 billion in loans to sub-Saharan Africa compared to the World Bank's $54.7 billion.[45] Likewise, China Development Bank, the world's largest development bank in terms of assets, is putting more resources behind the overseas expansion of Chinese enterprises, particularly in natural resource projects.

Many developing country governments view China's new role in the world as an alternative to western pressure, and a source of financing without the usual conditions demanded by other international financial institutions such as the IMF and the World Bank. In contrast to the US Eximbank, China Eximbank extends lower interest rates, and lends to a significantly different set of countries than the IFIs and Western banks, such as Argentina, Ecuador, and Venezuela that are not able to borrow as easily in global capital markets.[46]

However, on closer examination, the beneficence of China's investments is less clear. An Oxford University[47] study showed that the vast majority of Chinese OFDI is directed at only three tax havens and offshore financial centres: Hong Kong, the Cayman Islands and British Virgin Islands. In Europe, Chinese companies focused their investments in Luxembourg—another tax haven—and Sweden. Mirroring the practice of most transnational companies, Chinese business are adept at doing anything to avoid paying tax.

The belief that Chinese money has "no strings attached" also does not hold. Chinese banks financing in Latin America have more stringent lending preconditions than World Bank loans. In 2010 China Development Bank (CDB) lent $20 billion to Venezuela in exchange for re-payment through oil shipments to China. China sent thirty consultants, led by a former vice-governor of CDB, to Venezuela for 18 days with a mission to check how the oil would be delivered and to make proposals on how to reform its economy, from reining in inflation to creating a more open environment for foreign investors to ensure that it will get its money back.[48] It is also very common that China includes an agreement to provide short-term visas for Chinese workers in Chinese investments.

These economic conditionalities are not usually, however, accompanied by political conditionalities. In Africa and elsewhere, NGOs have raised concerns about Chinese investments and development financing causing human rights violations and environmental destruction.[49] China has financed 47 major controversial hydropower dams in 27 countries, including Sudan and Myanmar, two countries criticised for human-rights abuses and poor environmental track records. The high use of Chinese immigrant workers for infrastructure projects has led to riots and protests in countries as diverse as Myanmar, Poland and Zambia.[50][51] Similarly there have been complaints about working conditions in Chinese owned businesses – for example in Chinese-owned ports in Greece, which have been described by some dockworkers as "straight out of the Middle Ages".[52]

In the Philippines, the government canceled corruption-ridden projects such as the National Broadband Network and Northrail after it was exposed that bribes were paid by Chinese firms to get the backing of Philippine officials. Wikileaks-published cables from the US Embassy in Manila reported that the resulting damage to China's image hastened the replacement of China's ambassador to the Philippines in September 2007.[53]

The rising tide of complaints—and even more so the financial losses China has suffered after projects have been suspended or halted – has led to Chinese authorities increasing regulation of its OFDI. In May 2012, China's State Assets Supervision and Administration Commission (SASAC) published new rules that will hold state-owned enterprises and their executives accountable for bad overseas investment decisions. The SASAC's new rules highlight that state owned enterprises (SOEs) are supposed to be role models for other companies in terms of safety policies, inspection processes, citizen-based reviews and environmental protection.

CHINA AS A GLOBAL POLITICAL POWER

China's growing economic influence has yet to be matched by political clout on the world stage. China is not influencing world affairs nor does it play a lead role in addressing and solving global problems the way Northern powers do.

China argues that it stands for a policy of non-interference, although it has been prepared to take a more proactive role in North Korea (where it has been a member of the six-party talks aimed at resolving North Korea's nuclear programme) and in Sudan (where China persuaded the Sudanese government in 2007 to accept a UN-African Union peacekeeping force in Darfur).

Yet at the same time China has consistently blocked efforts at the UN to have Sudan's actions in Darfur classed as genocide, to have effective sanctions put in place, or to have a peacekeeping force with the power to protect the people of Darfur. This is of course due to its need to protect its commercial interests. Chinese companies are facing increasing competition from other Asian business players there like Malaysia, which is using Islam to strengthen relations with Khartoum. Daniel Large, an expert on China's foreign relations with Sudan, argues that in Sudan, as elsewhere in Africa, the Chinese approach is "business as a form of applied politics".[54]

China is signatory to most legally and universally binding agreements in the UN, as well as other rules and norms of global governing bodies with important exceptions including the International Criminal Court and the Ottawa Convention to ban landmines. The primary aim of Chinese foreign policy, however, is to support its economic and social development. In this sense, international diplomacy is used to support access to markets, resources and investments.

China's argument that it is a developing country and in solidarity with other countries in the South is also facing increasing challenges. On climate change, for example, China's positioning as a developing country and its association with the G77, did not stop it being one of 20 countries, including the US, India and Brazil, that negotiated in an exclusive and non-transparent manner the Copenhagen Agreement in 2009. Its emergence as the second highest emitter of greenhouse gases has also led some developing countries, particularly the most vulnerable island states, to call for China to take on binding obligations to cut emissions, even while China continues vociferously to defend its status as a developing country entitled to "common but differentiated responsibilities".

Similarly China's defence of safeguard mechanisms at the WTO, which means developing countries should be allowed certain exemptions and have some special products that will be exempted from tariff cuts to protect the sectors with low incomes, faces opposition from both developed and developing countries that are wary about competition from China.

CHINA FLEXING ITS MILITARY MUSCLES

One often-cited reason for China's limited global political power is its weakness militarily compared to the US. Chinese officials insist that they are committed to a policy of a "peaceful rise", now renamed peaceful development, and stress that they have not engaged in major external hostilities since the 1979 war with Vietnam. China certainly in no way matches or even looks like coming close to the imperial reach of the US. The US still spends four-and-a-half times as much on defence as China, has a global presence of around 1000 military bases in more than 60 countries, and has been involved in military interventions overseas every year since 1950.

However there are signs that China is starting to flex its military muscles as its economic power grows, particularly within East Asia. The launch of its first aircraft carrier in 2011 was seen as a significant step in challenging US military supremacy in Asia and protecting Chinese economic interests worldwide. China is now mass-producing at least six classes of modern diesel-electric submarines and surface warships.[55] The first Luyang guided missile destroyer was tested in 2007 using mainly Russian technology. China also continues to have the largest army in the world, The People's Liberation Army (PLA), with an active force of 2.3 million.

Although it is difficult to know the real figure, China's military and defence budget has certainly experienced double-digit growth in the last decade. According to the Stockholm International Peace Research Institute, the annual defence spending rose from over $30 billion in 2000 to almost $120 billion in 2010. Spending in 2012 was around $160 billion. On present trends China's military spending could overtake the US by 2035.[56]

China's new naval capability is making smaller countries in the surrounding Asia Pacific concerned, given China's claim of territorial rights over the Diaoyu/Senkaku Islands (disputed by South Korea and Japan) and the Spratlys (disputed by Philippines and Vietnam). According to recent reports by Washington DC-based think tank Center for Strategic and Budgetary Assessment and the US think-tank RAND, China is well on its way to having the means, by 2020, to deter US aircraft carriers and aircraft from operating within what is known as the "first island chain"—a perimeter running from the Aleutians in the north to Taiwan, the Philippines and Borneo in the south.[57]

Table 8. Top Ten Countries by Military Spending in 2011 (in billions US$)

Country	Spending	World Share
United States	739.3	45.7
China	89.8	5.5
United Kingdom	60.7	3.9
France	58.8	3.6
Japan	58.4	3.6
Russia	52.7	3.3
Saudi Arabia	46.2	2.9
Germany	44.2	2.7
India	37.3	2.3
Brazil	36.6	2.3

Source: The Economist, April 2012

Beijing's official line is that it wants to be able to defend itself against foreign aggression and catch up with the West, as it was famously unable to do in the nineteenth century.[58] China has also tried to allay concerns by signing the Treaty of Amity and Cooperation in October 2003, in which it committed to respect the ideals long held by the ASEAN—sovereignty and non-interference in each other's internal affairs and settlement of disputes in peaceful manner. China has also held joint military exercises with Australia, the Philippines and Thailand to show its support for ASEAN's security framework.

Whatever China's intentions, its growing military power is contributing to an arms race in the Asia Pacific region. The Pentagon's *Quadrennial Defense Review* released in February 5, 2006 reaffirmed that the US will not allow the rise of a competing superpower.[59] The new "strategic guidance" issued in January 2013 by President Obama and his defence secretary, Leon Panetta, confirmed that a switch in US priorities towards Asia has already started. It was therefore no surprise that President Obama's first foreign trip after his 2012 re-election was to attend the ASEAN Summit in Cambodia, as well as visits to Thailand and Burma.

WILL CHINA REPLACE THE *US* OR ARE WE TALKING ABOUT REAL MULTIPOLARITY?

The American universalist view depicts any rising power as potential rival to the US. The success of a universalistic US foreign policy depends on the willingness of nations to subordinate their own security requirements in line with an international consensus that conforms to America's key foreign policy objectives.[60] The US is prepared to use bilateral measures, but prefers to invoke UN resolutions and binding agreements against countries that it sees as rivals or those who stray away from its enforced consensus. The US' willingness to use the international community where possible, but act unilaterally as well, was demonstrated by its actions in Iraq.

Chinese policy experts from inside and outside China dismiss the fear that China is replacing the US as a global leader and point out that a US decline does not naturally mean that power will be transferred to China. As explained by Shi Yinhong, "[w]hat we are seeing is a symbol of declining American power, not necessarily of power switching to China. China has its own problems."[61]

Moreover suggesting that China can replace the US ignores the fact that both countries are so economically interconnected and that they depend on each other for mutual survival and development. Walden Bello described the China-US symbiotic relationship as "chain-gang economics" in his analysis about the crisis of overproduction.[62]

For the moment it seems, Chinese elites have decided that seeking to strengthen a multipolar order rather than seeking to replace a US unipolar order with a Chinese one best serves their country's strategic economic interests. Jiang Zemin officially incorporated and strongly promoted the concept of multipolar world (*duoji shijie*) into foreign policy at the 14th Party Congress in 1992, to support China's stance that a fair, just and peaceful world is only possible through multipolarity.[63]

China has actively engaged in different arenas to assert this. It has been most active in its backyard, engaging with the ASEAN regional bloc in the last decade. The 1997 financial crisis, in particular, led to a closer relationship with neighbors in ASEAN countries who shifted the destination of their exports—mostly comprised of components and raw materials—to China where, in turn, they are used to manufacture finished consumer goods for the US and European markets. This increased trade with Asian neighbors was driven by intra-company trading of global multinationals that used China as their manufacturing base.

Table 9. Foreign Direct Investments to the ASEAN and China (in millions US$) [64]

	1990	1995	2000	2005	2010
ASEAN	12,821	28,225	23,656	40,736	79,129
China	3,487	37,521	40,715	72,406	105,735

Source: UNCTAD, World Investment Report 2010 and 2011, unctadstat.unctad.org, accessed February 2012.

The China–Russia Constructive Partnership Agreement of 1994 asserted the need for a multipolar world in the aftermath of the collapse of the bipolar world caused by the disintegration of the Soviet Union. It laid the grounds for the Russia-India-China group, initiated by Russia in 2002, and the subsequent formation of BRIC in 2009. China lobbied for South Africa's inclusion in December 2010 to support its diplomatic and economic interests in Africa. South Africa's involvement worked well in expanding the geographic representation of the group. China is now the strongest economic power in BRICS and the most influential in its economic and financial agenda.

At the same time, China rejected a proposal advanced by some in the US to create a G2, which would place China and the US alone at the head of world affairs. Beijing said it wanted increased cooperation with the US, but favoured a more multilateral approach to problem-solving.[65] China has rather favoured the G20, which has been described as "the other UN" and whose members represent between 80-90 per cent of global GDP.

However China's commitment to multipolarity has been tested by its overriding priorities of defending China's economic and strategic interests, particularly in East Asia. This is notable in China's refusal to allow ASEAN to multilaterally discuss issues such as conflicts over the South China Sea Islands, such as the Spratlys. While the Philippines government argued that the issue be brought to the UN in terms of the Law of the Sea Convention to decide the issue, China has insisted on bilateral negotiations where its power is obviously unmediated and dominant.

GROWTH OF CHINESE CIVIL SOCIETY

The focus of this chapter has been on the positions and practices of Chinese elites, but perhaps the most important development is the burgeoning strength of Chinese civil society. There are many political, economic, social and personal security barriers for those that work in grassroots organisations, public-interest NGOs, and advocacy groups in China. However, huge strides have been made by concerned citizens committed to public-interest issues since the period of "reform and opening" in the 1980s. Small "grassroots" organisations or those not affiliated with the government and the Communist Party, but rather set up as private, independent organizations and started by individual citizens, are steadily increasing.

A few independent "public interest" and "advocacy groups", such as those NGOs working on social and environmental issues started to emerge in the 1990s. The people involved in these groups belong to a small community of like-minded and concerned individuals; they generally knew each other and some are friends since their university days. They often faced threats of incarceration and travel bans, and many were indeed jailed but nevertheless persevered with their work. These NGOs multiplied, and since 2005 a growing number of international NGOs have also set up office in China and worked jointly with grassroots groups.

Despite the huge increase in their number and the broadening of concerns, strategies, methods of work, as well as diversification of partners, these organisations are still constrained by the fact they cannot form national coalitions or federations. Moreover the scope of work by many continues to be very local. The law for NGOs or non-state organisations prevents them from working in this way and the space for such undertakings is already filled by mass organisations that have links with the government and the Party.

China Development Brief (CDB),[66] founded by Briton Nick Young, has been publishing a Chinese NGO Directory since 1998. It features the profiles of grassroots, public interests and advocacy groups to make these groups understandable to both Chinese and non-Chinese audiences and gain support for them. The latest edition of the Directory features some 250 NGOs, which is a small subset of the NGO community. Despite the seemingly small number, they give a good and representative understanding of the Chinese NGO landscape. Based on CDB's 2013 *Special Report*[67] NGOs in China tend to be concentrated in certain regions, mostly in major cities and along the coast, and focused mainly on social service sectors such as education, child welfare, disabilities and elder care. Most of the existing NGOs are young, and were established after 2000. They tend to be small and lacking in legal status and financial and human resources. About 56 per cent of the NGOs in the Directory had a staff of under 10 people, and 72 per cent had budgets under RMB 3 million (about $476,000). A large number—about 39 per cent—were either not registered, or registered as businesses and not as NGOs.

What is also increasingly known outside China are the spontaneous actions and protests by Chinese workers, peasants, home-owners and communities affected by pollution or calamities, which the government refer to as "mass incidents". The Chinese government no longer publishes comprehensive statistics on the number of mass incidents in the country each year, the last available data is that some 90,000 mass incidents were reported throughout China in 2009; the vast majority of which were triggered by specific rights violations.[68] Recent well reported mass incidents include strikes in export processing zones, riots in Ningbo and Dalian against environmental pollution[69], as well as protests against land grabbing in 2011. In 2012 in Wukan, a fishing village in the southern province of Guangdong near Hong Kong, a four-month long protest, including street marches, forced village elections and resulted in the leaders of the collective action winning county level posts.

These mainly local protests still face serious challenges and repression. They are partly a response to the lack of existing mechanisms available for authorities to adequately respond to grievances. While some public protests seem to be allowed, authorities still hold absolute control in dealing with protests and leaders of protest actions often end up spending years in jail when they are caught.

The moment the protests move beyond their locality or involve longer-term organising, they are also much more prone to repression. Fewer than half of China's 263 million migrant workers have signed labour contracts with their employees, only 14.3 per cent of migrant workers have a pension, 24 per cent of them have work-injury insurance, 16.9 per cent have medical insurance, 8.4 per cent have unemployment insurance, and only 6.1 per cent have maternity insurance[70]. Consequently the majority of strikes in export processing zones tend to break out spontaneously and then end abruptly after repression or some concession from the management. The temporary status of the 20 million workers in export processing zones, 70 per cent of whom are women, adds to the vulnerability of workers who dare to organise as they can be easily sent back to their home town or village.

The Foxconn workers' strikes in 2011 testify to both the success and limitations of most public protest in China: after the workers gained higher salaries, the strike leader was forced to return to his province after his temporary contract ended. Despite the difficulty of launching labour strikes, Foxxcon workers protested once more in early 2013. The potential for Chinese civil society cannot be ignored. One of the results of the global anti-sweatshop movement was that foreign-run enterprises, even Wal-Mart, have allowed the organisation of enterprise-level trade union elections, which could see the beginning of an independent labour movement.

Domestic opposition groups and individuals who might challenge the party's authority are left isolated and powerless as they belong to small, independent NGOs that are not legally recognised by the government or with very little support from inside and outside China. At the same time only the mass organisations affiliated with the government and the academe/university are seen as legitimate channels for participation. The government also looks down on independent NGOs and deems them to be lacking in expertise or knowledge. The Chinese Communist Party is still very successful in recruiting the cream of the crop of university level students into its ranks and the party is still seen by many as a ladder for promotion and achievement. Hence many NGO staff argue that if your motive is to help people and do good, you join the NGO, but if your motive is to get a high post you join the party.

Many believe that China's first social movement might develop from the ranks of the environmental sector as some of the biggest "mass actions" and civil society breakthrough—like the PX incident in Xiamen in 2007—emerged from environmental concerns. Environmental groups such as Friends of Nature, Green Earth Volunteers, Global Village Beijing and Green Watershed Project are some of the key environmental groups that have broad interests. Together with other groups, they discussed with the government about making the 2008 Beijing Olympics observe environmental considerations. They are also starting to see the need to link their local advocacy with regional and global calls for social justice and they are the first to acknowledge that China is now playing a key role globally and it will be important that Chinese investments do not harm the environment where they operate abroad. However, the big environmental protests in China were not initiated by environmental NGOs. Environmental organisations are not linked with or participate in mass actions because they always operate under constraints and are therefore unable or afraid to do so[71].

In their paper on current resistance in China,[72] which examined some of the most significant labour and environmental collective action, Au Loong Yu and Bai Ruixue observed some signs that the level of organizing and repertoire of action employed by the workers are different from previous strikes. They pointed out that the workers struggle at Tonghua Steel Mill Company in Jilian in 2009—which mobilized 30,000 workers and their families—was a protest against privatization. In this case also, the manager was killed, not just by a lone dissatisfied worker, as is usually the case, but by a large group of workers supported by most other fellow workers. The workers' violence was also widely supported by "netizens". A similar case of privatization at Linzhou Steel Company in Puyang City, saw workers lock-up their municipal government official for 90 hours. The violence showed extreme anger and desperation on the side of the workers, which was heightened by the fact that their trade union was ineffective in representing their interests, hence they acted independently.

Another big case of labour strike was in the Honda plant in Foshan in Guangdong province, which lasted for two weeks and was joined by 1800 workers. What is significant in this action is the statement released by the workers, which showed a broader vision: "Our struggle to defend our rights is not just about fighting for ourselves. We are concerned about the rights of all the workers in the whole country. We want to set a good example of workers struggling for their rights."[73] In China today, most workers are under 20 and most have no memory of the Tiananmen events because the government made it a taboo topic. Their actions are bold and there is a growing critical view against the unions that are supposed to represent them but are not doing so.

Public opinion is increasingly mobilised by the now widespread use of social media. The most heated debate and arguments on various issues are seen between online users of Weibo. The consensus that the environmental costs of China's development must stop now is one of the constant messages there.[74]. Discussions on Weibo of China's "airpocalypse" or the highly toxic air pollution in Beijing and other big cities made it impossible for the government to put any spin on the situation and in fact forced it to make information on air quality public.

Chinese academia and artists are also becoming more vocal, as was shown when 303 socially engaged scholars, writers and artists argued for more freedom and a "Chinese alternative" to the neoliberal market economy in the Charter 08 open letter to the authorities.[75] These evolving movements could develop as a strong plank of a future social and environmental justice movement in the country. Its success in part will depend on international solidarity with Chinese groups fighting domestically for rights, land, justice, clean environment, etcetera; as well as a willingness to facilitate Chinese civil society participation in the discussion for solutions and building of alternatives locally and globally. Southern movements, particularly those in other emerging economies such as India, Brazil and South Africa need to reach out to China and Chinese groups and share experiences and proposals for common struggles for land, water, livelihoods, clean environment, security, decent wages, safe working conditions, democratic participation, human rights and so on.

CONCLUSION

China's 12th Five Year Plan (2011—2015) established green economy as its overarching goal. Its recognition that the costs of environmental degradation (estimated by the World Bank to be between 3.5 to 8 per cent of total GDP annually and up to 12 per cent by others)[76] highlighted the unsustainability of China's economic model for its citizens and indeed by implication for the whole world. The fact that China, the world's second largest economy, ranks 120th in the global human security index affirms John Lee's appraisal that China's market socialism in its modern form is predatory, dysfunctional and grossly inefficient system and enormously wasteful and unsustainable.[77]

China's rise to the top was achieved through importation of natural resources and their re-exportation in the form of value-added products for consumption in other countries, mostly in the west. In effect, China's emergence as the factory of the world is perpetuating unsustainable consumption and production patterns in industrialised countries and expanding them to the rest of the world. China's success is also intrinsically linked to the strengthening of transnational corporate power, and has therefore become a cornerstone in maintaining the current order of production and consumption and the resulting exploitation, over-consumption and planetary abuse.

Perhaps the biggest hope lies in China's nascent civil society. The seeds of alternatives are being planted by inspired individuals that are working to popularise the concept of citizens' rights, the poor urban and rural folks that defy risk of jail sentences in order to remind callouse officials that life and the environment matters more than short-term economic gains from polluting projects, workers that are fighting for decent wages and sustainable jobs, climate justice groups that are seeking for a change in the system locally and globally. These groups remain scattered and small, but over time could together with global civil society groups reshape China and the world's future.

The majority of current analyses about China's role in the changing global political economy and the deep flaws in its economic model tends to concentrate on China without locating China in the context of neoliberal globalization. Yet it is precisely the fundamental role that China plays in an unjust globalised world that makes advancing changes in China so important not just for the Chinese population but the world at large. A change in China's system of production, wealth creation and (re)distribution is a necessary step in the quest for a socially just and ecologically viable future, both in China and beyond. This will require making alliances with ordinary people in China and both supporting and learning from Chinese social movements as they join the global struggle for alternatives.

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CHAPTER FOUR

INDIA IN THE EMERGING WORLD ORDER

A STATUS QUO POWER OR A REVISIONIST FORCE?

DEEPSHIKHA SHAHI

India in the Emerging World Order:
A status quo power or a revisionist force?

DEEPSHIKHA SHAHI*

Any author vested with the responsibility of appraising India's position and potential role in the emerging world order could spend a considerable time pondering an appropriate title – 'The Rise of India as a Status Quo Power'; 'India as a Reformist Force in the Emerging World'; 'India in the Emerging World: A Potential Bridge between the North and the South'; and so on. The dilemma surrounding the selection of an appropriate title in fact reflects a deeper confusion pertaining to India's newly acquired image of a 'rising power' and the ability of its foreign policy to live up to that image.

This chapter sets out to trace the changing contours of India's foreign policy by throwing light on: (i) the historical and sociological compulsions shaping India's strategic trends and the evolution of India's model of neoliberalism; (ii) the expression of India's strategic trends in its changing equations with the powers of the North (especially the US and the former Soviet Union, and now Russia) and the South (especially Brazil, South Africa and China); (iii) the impact of India's currently evolving synergy with the South (IBSA, BASIC, BRICS) on India's relationship with the North (G8+5, G20); (iv) the conflictual and cooperative tendencies within India's strategies at intra-subregional (India-SAARC), inter-subregional (India-ASEAN) and inter-regional (India-Mercosur; India-AU; India-SADC etc.) levels; and (v) the comparative importance of the mutually contradictory forces of nationally-based TNCs and civil society movements in determining India's foreign policy. After grasping India's foreign policy stance in the contemporary neoliberal world, the chapter then evaluates the probability of India becoming a beacon for an alternative in a post-neoliberal world order.

INDIA's FOREIGN POLICY: HISTORICAL AND SOCIOLOGICAL ROOTS

The foreign policy formulated by India after its independence from British colonial rule in 1947 was largely influenced by the ideals of Gandhian and Nehruvian philosophies—*swaraj* (self-rule), *ahimsa* (non-violence) and *panchsheel* (the five principles of sovereign equality, territorial integrity, non-alignment with power blocs during the Cold War period, non-interference in the internal affairs of other states, and peaceful coexistence/cooperation for mutual benefit). India's foreign policy, wherein 'morality' seemed to play a more prominent role than the use of force, was driven by two objectives: safeguarding hard-won sovereignty, and uplifting the underdeveloped economy. The commitment to the UN system, the initiation of the Non-Aligned Movement (NAM) with an emphasis on 'third world solidarity', and the adoption of a 'mixed economy'—based on the combination of private and public sectors—were tools for attaining these objectives.

While the Gandhian faith in non-violence was constantly reiterated, India's first Prime Minister, Jawaharlal Nehru, declared in 1956:

> I am not aware of our government having ever said that they have adopted the doctrine of *ahimsa* to our activities. They may respect it, they may honour the doctrine, but as a government it is patent that we do not consider ourselves capable of adopting the doctrine of *ahimsa*.[1]

Despite claiming to follow the principle of peaceful-coexistence, India witnessed major wars and skirmishes with Pakistan and China over territorial disputes. The principle of non-alignment did not prevent Nehru from seeking military aid from the US and Great Britain during the brief Sino-Indian border war

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in 1962, or from concluding the Indo-Soviet Treaty of Peace, Friendship and Cooperation in 1971, which ensured the transfer of a huge quantity of Soviet weapons that facilitated India's military intervention in East Pakistan (subsequently Bangladesh) the same year. Nehru's 'socialist' orientation brought India strategically closer to the USSR during the Cold War period.[2]

Nehruvian foreign policy also had a tremendous impact on shaping the dynamics of regional politics in south Asia. In 1946, Nehru stated:

> In Asia it seems inevitable that two or three huge federations will develop... India is going to be the centre of a very big federation (...) From the point of view of all these possible developments of the future, it is very desirable for us to gain contacts with countries all over Asia.[3]

In 1961, Nehru observed the rise of a new Asian worldview. He noted:

> The emergence of the independent nations in Asia naturally leads to what might be called an Asian way of looking at the world. I do not say that there is one Asian way, because Asia is a big continent, offering different viewpoints. However, it is a new angle, and is a change from the Europe-centred or any other view of the world.[4]

The Asian Relations Conference held at New Delhi in 1947 promoted the concept of a South Asian Community. Despite an early start in regional thinking, the volatile political scene in the south Asian region obstructed the institutionalised existence of any regional forum for a long period. After a series of meticulous discussions, it was only in 1985 that the Charter of the South Asian Association for Regional Cooperation (SAARC) was formally adopted by seven south Asian states—Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Due to tumultuous domestic political conditions, Afghanistan's formal entry into SAARC became possible only in 2007.

The initiative for forming SAARC was taken by the President of Bangladesh, Zia-ur-Rahman, and was immediately endorsed by Bhutan, Nepal, Sri Lanka and the Maldives. However, both Pakistan and India displayed reluctance, though for different reasons. Pakistan was wary of India's potential to use SAARC in the service of its own hegemonic designs. Pakistan had specific fears of Indian future domination of trade and commercial links, especially if these were promoted in the industrial infrastructure and in regional trade. Considering the protracted history of bilateral disputes in the region, India had apprehensions that the SAARC might be used by its neighbours to 'gang up' against it. An attempt by Bangladesh to bring in Nepal as a party to the central issue of sharing the Ganges River's waters with India was seen as heading in this direction. Consequently India's reaction to the Bangladesh proposal was marked by caution. India's Foreign Minister insisted on confining regional cooperation to certain areas, and voiced two important pre-conditions for regional cooperation in south Asia: the exclusion of bilateral issues from deliberative discussions, and unanimity as the basis of all decisions.[5]

The formal incorporation of these two pre-conditions in the SAARC Charter affirmed India's normative hegemony in the south Asian region.[6] They also clarified that the institutional form of regional cooperation in south Asia would be an inter-governmental one, not a supra-national one. The inter-governmental institutional form ensured that the functioning of SAARC would safeguard the sovereignty of the SAARC member states rather than override their sovereignty in the interest of the south Asian region.

India's foreign policy remained heavily influenced by the mixed economy model adopted by Nehru during the Cold War. However, the post-Cold War period presented a transformed political context both at the global and the domestic levels. At the global level, the collapse of the socialist bloc led to an embrace of neoliberal capitalism as the triumphant ideology. At the domestic level, the 'Congress System'[7]-a de facto one-party system where the Congress party dominated Indian politics -had come to an end even earlier, and various regional political parties backed by diverse and hitherto suppressed social forces (both conservative and progressive) started playing a more crucial role.[8] Indian democracy entered into the 'third electoral system'[9], whereby the pattern of the determinants and outcomes of electoral choice underwent a sea change. In the first and the second electoral systems, which prevailed during 1952-1967 and 1967-1989 respectively, Indian voters had the choice to vote either for or against the dominant Congress Party. However, the proliferation of regional parties in the post-1989 period offered alternative choices to Indian voters and heralded the era of coalition politics, thereby fundamentally transforming the terrain of Indian politics. The shifts in the electoral choices were largely anchored in the process of social change marked by the gradual awakening of the marginalised segments/castes of Indian society.[10] Different caste-groups began to align or realign themselves with various national and regional political parties, thereby having a distinct impact on the coalition government of the day.

With the alteration in electoral outcomes, the internal composition of Indian strategists also changed. Indian strategists—chiefly consisting of temporarily elected political elites and permanently selected but comparatively less powerful bureaucratic elites—could no longer stay solely committed to the socialist temperament of Nehru or the agenda of the Congress Party if they wanted to maintain their influence. Therefore, since the 1990s, the challenge for the new Indian strategists has been to reinterpret Nehru's ideas to suit the transformed political context. The new Indian strategists could neither condemn Nehru nor formally reject Nehru's ideas, for that would have invited serious political trouble.[11] Yet they had to continually reinterpret and refashion India's foreign policy to adapt it in accordance with the requirements of India's transformed domestic politics, particularly following the balance of payments crisis in 1991.

After independence, India adopted a mixed economy with a major role for the state in industrial production and an emphasis on an import substitution strategy. This policy helped to lay the foundation for industrialisation and technological change, but compared to its East Asian neighbours India's national income growth remained low at about 3-4 per cent per annum for several decades. The export-oriented Asian countries grew much faster during this period by taking advantage of the post-war expansion in international trade and investment flows.[12] The 1991 balance of payments crisis left India heavily burdened with international debt that it found difficult to repay, and therefore needed financial assistance from international organizations such as the IMF. However, as a pre-condition to the loan, the IMF demanded the implementation of a structural adjustment programme (SAP) designed to liberalise the Indian economy. Starting around 1991, some far-reaching changes in policy were made in India that came to be known as the New Economic Policy (NEP). The adoption of the neoliberal NEP paved the way for the integration of the Indian economy into a globalised economy. The Indian government decided that the time had come for Indian producers to compete with producers around the globe. It felt that competition would improve the performance of Indian producers since they would have to improve their quality. This decision was supported by powerful Indian corporate houses and international financial organisations.

A turning point in Indian coalition politics came with the Bharatiya Janata Party's recent emphatic win in 2014 Elections. It is believed that the victory of the right-wing Bharatiya Janata Party under the leadership of Narendra Modi has destroyed the myth of coalition politics, thereby gifting India its first single-party government in past 30 years. However, the newly elected BJP government is largely seen as perfect mascot for the changes that have transformed India since the early 1990s: the liberalisation of the country's economy.

Today, Indian strategists—that is, those who have the influence and power to shape India's overall strategy and foreign policy—generally follow and emulate the neoliberal model of economic development. The strategic discourse in today's India broadly occurs at two levels of state and civil society. The two-way circulation of the discourse between state and civil society passes through various mediations provided by the politicians, bureaucrats (including active and retired diplomats and senior echelons of the military), university- and research institute-based scholars, student unions, the media (including policy oriented journalists and film-makers), key corporate houses and business groups, and social activists (including leaders of various social movements). However, not all the wide-ranging views have a direct impact on the strategists, even if government structures such as the Indian Foreign Service have started to remove barriers that blocked entry by academicians and prevented civil servants from moving into academic institutions. This has changed recently, for example with the formation of the National Security Advisory Board with its separate and functional secretariat, and growing interactions between Indian strategists and academicians.[13] Nevertheless despite a diverse range of views, including critical perspectives put forward by the Indian academicians and activists, the Indian strategists have continued to follow the neoliberal model of development.

Over the last two decades, all the major political parties in India—cutting across the spectrum from the left to the right—have converged to a similar worldview. While differentiated mostly by rhetoric, they subscribe to the view that the NEP—which endorses the processes of globalisation, market-based liberalisation and corporate-led industrialisation—is necessary to achieve the economic development and political empowerment of India.[14] However, Indian strategists have taken a cautious and regulated path to capital account liberalisation, and this strategy has served to reduce the economy's vulnerability to crises. As Joseph Stiglitz commented in the *Times of India*, "your policy makers, particularly the Reserve Bank of India, are already doing a great job. I wish the U.S. Federal Reserve displayed the same understanding of the role of regulation that the RBI has done, at least so far".[15] Elsewhere he remarked that:

> India was one of the countries that resisted the wholesale deregulation movement that the United States had been exporting(...) [India] did it against political pressure(...) and now I think the financial markets are thankful that they did resist those pressures. The result is that India's financial markets are in better shape than they would have been if they had engaged in the kind of wholesale deregulation that the United States engaged in.[16]

In contrast to the appreciative statements of Stiglitz, Jim O' Neill—the Goldman Sachs economist who coined the acronym BRIC—labels India as the "greatest mystery" among the BRICS and criticises India's leadership for failing to implement reforms and "deliberately avoiding FDI". This phrase might resonate with many because of the ferocious political row over the government's decision to open India's retail sector to global supermarkets such as Wal-Mart and Tesco.[17] In India there are diverse views on the issue of capital account liberalisation (CAL). While the Percy Mistry Committee Report (2007) and the Raghuram Rajan Committee Report (2008) advocate 'thin institutionalisation' by supporting the idea of loosening capital control and encouraging capital account convertibility, Y.V. Reddy, former governor of the Reserve Bank of India, in his book *India and the Global Financial Crisis* calls for 'thick institutionalisation' because, he says, capital account convertibility brings real threats to financial stability especially in countries with weak regulatory mechanisms and underdeveloped financial markets. Indian strategists are unanimously concerned about the dangers emanating from the volatility aspect of short-term capital flows, often led by the foreign institutional investors (FIIs), which destabilises stock markets and the exchange rate of the domestic currency. While the debate on CAL continues on paper, by now, in practice the capital account has become quite open since the adoption of the NEP in 1991; reversing this is politically unlikely. Furthermore, the remaining capital controls are rapidly becoming ineffective.[18]

Despite this, some commentators such as Gurcharan Das[19] hold an optimistic view of India's unique model of development. He observes:

> Rather than adopting the classic Asian strategy—exporting labor-intensive, low-priced manufactured goods to the West—India has relied on its domestic market more than exports, consumption more than investment, services more than industry, and high-tech more than low-skilled manufacturing. This approach has meant that the Indian economy has been mostly insulated from global downturns, showing a degree of stability that is as impressive as the rate of its expansion.
>
> [This] consumption-driven model is also more people-friendly than other development strategies. As a result, inequality has increased much less in India than in other developing nations. (Its Gini index, a measure of income inequality on a scale of zero to 100, is 33, compared to 41 for the United States, 45 for China, and 59 for Brazil.) Moreover, 30 to 40 per cent of GDP growth is due to rising productivity—a true sign of an economy's health and progress—rather than to increases in the amount of capital or labor.[20]

Though India's record might appear comparatively impressive according to the Gini index, the dark side of the Indian neoliberal path to high growth cannot be overlooked. Economist Utsa Patnaik writes:

> Two decades after neoliberal economic reforms started in India as part of the agenda of imperialist globalisation, the condition of the masses of the labouring poor is worse in every part of the country except where some positive intervention has taken place to stabilise livelihoods. The richest minority at the top of the income pyramid is far richer than ever before, better off even than advanced country middle classes for they command extremely cheap services from the mass of the labouring poor whose bargaining position is lowered owing to rising unemployment and the resulting constant addition to the reserve army of labour.
>
> The three issues which most concern the masses today are, the increasing levels of unemployment as high GDP growth fails to translate into increasing jobs; the high rate of inflation in prices of basic necessities which is eroding their already low purchasing power; and in rural areas, the attempt to take over their lands and resources by corporate entities, usually actively aided by governments.[21]

Even the IMF Report for the 2013 Article IV Consultation notes the problems, although it identifies the main culprit as 'weak growth':

> The domestic implications of India's slower growth could be far-reaching, though potential international spillovers are likely limited. Scant data on employment notwithstanding, lower medium-term growth might not generate sufficient jobs to absorb labor market entrants. Weaker growth also entails a slower reduction in poverty. IMF research suggests that 35 million more people would remain below the $1.25/day line compared to a scenario in which growth returns to the 2004–09 average.[22]

Though these observations clearly show the problems inherent in the NEP, the Indian strategists continue to subscribe to the neoliberal principles underlying their economic policies. They seek to overcome these problems by introducing reforms in the existing policies rather than by challenging the fundamental principles of the existing neoliberal world.

In addition to India's adoption of NEP, the thrust of India's foreign policy strategies in recent years can be summarised as following three trajectories:

1. While India continues with its commitment to the UN system and other multilateral forums, it has sought to capitalise on the growing political and economic strength of some developing countries with a view to advancing its own national interests. For example, in the lead-up to the 2003 WTO ministerial in Cancun, Mexico, India and Brazil united to fight the US and EU on their agriculture subsidies, as a strategic counterweight to what was being demanded of developing countries on issues such as investment, services and market access for non-agricultural goods.

2. India chose to abandon all pretences of socialism and to ally itself with the US, with the intention of being part of the collective exercise of global power. Indian strategists want a permanent seat at the UN Security Council and see closer ties to the US and EU as key to this. Besides the permanent membership of the Security Council, Indian strategists believe that the acquisition of an independent nuclear capability is instrumental in obtaining 'major power status'.[23]

3. India began to explore alternative venues of multilateralism offered by regional organisations, either by joining or creating blocs (G4, G8+5, G20, G77, BASIC, BRICS, IBSA), or by forging closer economic and strategic links with other blocs (EU, ASEAN). In doing so, India broke out of the claustrophobic confines of south Asia and designed its foreign policy in accordance with the concept of 'extended neighbourhood'.[24] India's Foreign Secretary Shiv Shankar Menon stated in 2007 that "as we move beyond southern Asia to India's extended neighbourhood (...) from the broader perspective, we regard our security as lying in a neighbourhood of widening concentric circles".[25]

Though Indian strategists do not announce new foreign policy doctrines, in recent years they have worked incessantly to elevate India's regional and international standing and to increase its power. New Delhi has made concerted efforts to reshape its immediate neighbourhood, find a *modus vivendi* with China and

Pakistan (its two regional rivals), and assert itself in the 'near abroad' which includes parts of Africa, the Persian Gulf, central and southeast Asia, and the Indian Ocean.[26] Simultaneously, it has expanded relations with existing major powers, especially the US. Against the backdrop of the increasingly doubtful hegemonic status of the US in global politics and the continuing decline in the economic strength of other Western European powers in the post-recession world, India has sought to develop stronger ties with the emerging economies of the South. In doing so, India is reviving its age-old rhetoric on reducing the economic disparities between North and South. However, the priority attached to protecting sovereignty and boosting economic growth marks a 'historical continuity', despite occasional fluctuations in established strategic trends.

INDIA's SHIFTING EQUATIONS WITH THE NORTH AND THE SOUTH

The interplay between the historical and sociological roots of India's foreign policy, major international events and local perspectives on regional cooperation, continue to determine India's specific position in contemporary global politics. While the intimacy with the USSR during the Cold War widened the distance between India and the US, the post-Cold War period—especially the post-9/11 period—paved the way for a renewed understanding between the two countries. India's relations with the US became closer in three phases, periodised broadly as follows: 1991-1998; 1998-2004; and 2004 onwards.[27]

The liberalisation of the Indian economy and the adoption of the NEP in 1991 helped India win credibility in the eyes of the US. Notwithstanding US criticism in the aftermath of nuclear tests conducted by India in 1998, their support to India during the India-Pakistan Kargil war in 1999 was a sign of the strengthening bonds between the countries.[28] India gave a warm embrace to the US-led 'war on terror' in Afghanistan in 2001, and did not criticise the US invasion of Iraq in 2003 despite the contrary Indian public opinion. Especially after the terrorist attacks on the Indian Parliament in 2003, and in Mumbai in 2008, close cooperation in the field of counter-terrorism has become key to the Indo-US strategic partnership.[29] The passage of the Indo-US nuclear deal in 2008 laid the foundation for a robust strategic partnership in the twenty-first century. Although the Indo-US nuclear deal was widely considered as India's move to appease the US by many Indians—across the political spectrum—the then Prime Minister, Manmohan Singh, defended India's growing closeness with the US by stating that:

> The United States is a global power. Their interests will not always converge with India's interests (...) But there are opportunities, there are occasions where our interests will converge. And I believe it is the duty of any government of India to take advantage of all those opportunities which widen the development options that become available.[30]

In continuation with the drive to revitalise Indo-US links, the newly elected Indian Prime Minister Narendra Modi has pushed for improving US ties during a meeting with Senator John McCain in New Delhi in July 2014, as the two countries seek to patch up their differences and boost their economic relationship.[31]

With regard to military matters, India continues to remain dependent on the US and the other Western powers. Since June 2011, British Prime Minister David Cameron and Presidents Barack Obama of the US, Nicolas Sarkozy of France and Dmitri Medvedev of Russia have all visited New Delhi to lobby for sales to India by their countries' arms-makers. India, which wielded the world's tenth largest military budget at $32 billion in 2011, has failed in a decade-long campaign to reduce its dependence on foreign suppliers, who provide about 70 per cent of India's armaments.[32] And the market is likely to grow: according to a report by the Confederation of Indian Industry and Deloitte Touche Tohmatsu India, it is estimated that India will spend nearly $220 billion by 2017 as part of an "ambitious military modernization plan".[33] At present, foreign companies can only invest 26 per cent in Indian defence projects without committing to technology transfer, which has put off many investors. However, the newly elected government of Narendra Modi has expressed the willingness to increase the cap to 49 per cent. India's Department of Industrial Policy and

Promotion has circulated a discussion document that proposes allowing up to 100 per cent foreign direct investment (FDI) in defence production.[34]

The deepening Indo-US relations have also affected India's stance on the Israel-Palestine issue. In the past, India was a major supporter of Palestinian anti-colonial anti-occupation struggles, but in recent years India has forged strong links with Israel, many believe at the behest of the US. The more India aspires to acquire the status of a 'major power', the more willing it seems to define its strategy within a US-aligned and neoliberal framework.

Yet, despite the hype surrounding the 'progress' in Indo-US relations, India cannot afford to marginalise Russia, as it is the only trusted partner with whom India has had a close political, military and economic partnership for decades. The USSR/Russia contributed to developing India's strengths and capabilities in the nuclear, defence, space and heavy industry sectors when no other country was willing to support India's efforts to modernise. Even today, space exploration and civil nuclear energy are seen as areas of importance. India's participation in forums such as the Shanghai Cooperation Organisation (SCO), Russia-India-China Strategic Triangle (RIC) and Brazil-Russia-India-China-South Africa Strategic Group (BRICS) has opened up new possibilities for Indo-Russian cooperation in the areas of environmental and disaster management, in pharmaceuticals, metallurgy, biotechnology and tourism.[35] While the Indo-US closeness in recent years has not obstructed the revived tempo of Indo-Russian ties, it has ensured that the Indo-Russian relationship is not insulated from US influence. India has become a centre of attraction for both Russia and the US.[36]

While India's relations with the powers of the North have significantly improved, its stance as a 'sovereignty hawk'[37] has been largely responsible for the slow progress in regional integration in south Asia. The implementation of the South Asian Free Trade Area (SAFTA) in 2006, and the entry of Afghanistan as the eighth member in 2007, has breathed new life into SAARC, reviving hopes for an improvement in the economic conditions of the south Asian countries.[38] Yet the historical hurdles to its smooth functioning persist. These include: a suspicious political environment because of the fragile democratic conditions and India's dominant position in south Asia; the conflictual relationship between India and Pakistan; and the lack of complementarities among the south Asian economies and their increasing reliance on the developed economies of the West. After 26 years of SAARC's existence, none of the south Asian states has been able to drive the process of 'economic integration' with much vigour, nor has the organisational framework of SAARC been able to breed 'political trust' in the region. In order to bridge the gap between the promise and the real accomplishments of SAARC, the member states would have to peacefully settle long-standing political disputes—especially the India-Pakistan Kashmir dispute[39]—and re-define their concept of sovereignty to create a larger space for supra-nationalism. The closer Indo-US ties are likely to further enhance the 'big brother syndrome' traditionally associated with India's hegemonic position in the south Asian region.

Meanwhile, India's relations with the Association of Southeast Asian Nations (ASEAN) are advancing.[40] In order to join the race in forming preferential trade agreements and to counter China's growing influence in southeast Asia, India adopted the 'Look East Policy' in 1991. As a result, the 1990s saw increased contact between India and the ASEAN countries, as well as concrete measures to cooperate and integrate in political and economic spheres. Within a decade (between 1992-2002), their collaboration has developed from a sectoral-dialogue partnership into a summit-level interaction. India signed a Free Trade Agreement (FTA) with the ASEAN countries in 2009. Under the India-ASEAN FTA, ASEAN countries and India will remove import tariffs on more than 80 per cent of traded products between 2013 and 2016.[41] However, economist Amita Batra has questioned whether the India-ASEAN agreement is the appropriate vehicle to take the process of developing India's comparatively backward regions forward.[42]

Behind India's desire to strengthen ties with ASEAN is concern about China's increasing presence in southeast Asia.[43] China has supplied arms to all of India's neighbours, and has offered significant assistance to Pakistan's nuclear programme in the past. This is alarming for India as the Chinese 'control' over India's bordering states could threaten India's security.[44]

While Indo-ASEAN ties are showing signs of progress, the Sino-Indian relationship remains characterised by the term 'co-opetition'[45]. India and China have emerged as two economies in competition with each other in the Asian region and beyond (for example the Sino-Indian rivalry over land acquisition in Africa, and India's concern over China's growing interest in the Indian Ocean). Yet at the same time, they cooperate in various forums (for example while negotiating terms with the developed world in the WTO, and on issues like climate change within the framework of BASIC). Though there has been a dramatic increase in bilateral trade between India and China, which rose from $1.7 billion in 1997-98 to reach a record $74 billion in 2011—when China became India's largest trading partner—, the balance of trade remains heavily skewed in favour of China; India's trade deficit with China reached $31.4 billion in 2013 out of a total bilateral trade of $65.4 billion, with Indian exports totalling $17 billion.[46]. Though India and China have set an ambitious bilateral trade target of $100 billion by 2015,[47]their relations remain fraught with suspicion because of their troubled history, marked by the 1962 border war and the unresolved Tibetan issue.[48] The new defence strategy of the US, which attempts to strike a long-term strategic partnership with India and identifies China as a security threat,[49] is also likely to have a destabilising impact on Sino-Indian relations.

While India is moving cautiously towards strengthening links with China, it is discovering new grounds for stronger bonds with Brazil and South Africa. India's active involvement in three recently-formed multilateral forums of the South—IBSA, BRICS and BASIC—is testament to this. India, Brazil and South Africa—who all consider themselves leaders in their respective regions, and representatives of developing countries from the South—share common reformist aspirations in world politics. These include advocating for greater visible representation of the South in the UN Security Council, greater voting power in the international financial institutions —the International Monetary Fund (IMF) and World Bank—and pushing for the achievement of the Millennium Development Goals (MDGs).[50] These reforms are viewed as instrumental in India acquiring 'major power' status.

The India, Brazil, South Africa (IBSA) 'three-pillar approach' (reforming global governance, technical cooperation and strengthening economic ties) provides India with a forum for consultation and coordination on significant political issues: fostering trilateral cooperation through sixteen working groups operating in diverse areas such as trade, investment, health, media, and information technology; enabling the facilitation of poverty reduction projects in other developing countries through the IBSA fund established in 2004 and managed by the United Nations Development Programme (UNDP).[51] India's then External Affairs Minister, S.M. Krishna, met Brazil's then President Lula da Silva ahead of the fourth IBSA summit held in Brasilia in 2010, and stressed the need for accelerating connectivity between the three emerging economies. Krishna emphasized India's abiding commitment to IBSA, which symbolised the spirit of South-South cooperation.[52] India's former Prime Minister, Manmohan Singh, had labelled IBSA as a "strong moral force in today's unsettled world".[53] Highlighting IBSA's vast potential to expand the trilateral trade cooperation, he stated: "Intra-IBSA trade is now close to 20 billion US dollars. I am therefore confident that we will be able to cross the target of 25 billion US dollars by 2015".[54] He nonetheless went on to admit that much needed to be done to address the present deficits of intra-IBSA linkages in terms of transport and other related infrastructure, calling for the need to focus on greater investments in infrastructure, human capital, education and inclusive growth.

Apart from IBSA, BRIC (now BRICS with South Africa joining in 2010) offers an additional platform for India's intensifying engagement with the other emerging economies. Formalised with the first meeting of the foreign ministers of Brazil, Russia[55], India and China in New York in September 2006, the grouping has evolved a number of mechanisms for consultation and cooperation in numerous sectors. The agenda of BRICS meetings has considerably widened over the years to include global challenges such as international terrorism, weapons of mass destruction, climate change, food and energy security, MDGs, and the international economic and financial situation. At the second BRIC Summit held at Brasilia in 2010, the former Indian Prime Minister, Manmohan Singh stated:

> We are four large countries with abundant resources, large populations and diverse societies. We together account for almost one-fifth of the world's GDP. We aspire for rapid growth for ourselves and

> for an external environment that is conducive to our development goals. The people of our countries expect us to work together so as to bring the benefits of inclusive social and economic development to them(...) BRIC countries are uniquely placed to contribute to reforming the architecture of global governance(...) Energy and food security are two specific areas where we can work together.[56]

India hosted the fourth BRICS Summit in New Delhi on March 29, 2012. Determined to end the hegemony of rich Western nations in shaping global economic policies, two agreements—the *Master Agreement on Extending Credit Facility in Local Currencies,* and *BRICS Multilateral Letter of Credit Confirmation Facility Agreement*—were signed by the development banks from BRICS countries. Such intra-BRICS initiatives are being perceived as a step towards replacing the dollar as the main unit of trade between BRICS countries. According to officials, this will not only contribute to enhanced trade and investments among the BRICS countries but would also facilitate economic growth in difficult economic times. India's former Prime Minister said, "the agreements signed by development banks of BRICS countries would boost trade by offering credit in local currency".[57] Developing countries, he said, need access to capital, particularly in infrastructure and development in order to revive the global economy. He declared that the BRICS countries had therefore agreed to examine a proposal to set up a South-South Development Bank, funded and managed by BRICS and other developing countries.[58] John Mashaka, financial analyst at Wells Fargo Capital Markets, commented:

> India's proposal for a BRICS bank was long overdue(...) It is a way the emerging nations are trying to pull out of the western dominated World Bank and the IMF(...) Basically India, China and perhaps Russia are trying to show off their economic clout; they are trying to demonstrate to the west that they can do without them. Above all they need freedom from western financial influence.[59]

The proposed development bank was officially launched during the July 2014 BRICS Summit at Fortaleza in Brazil. Though the Modi Government was pitching for the headquarters of the proposed BRICS bank to be based in India as well as for its first president to be an Indian citizen, Shanghai was selected as the venue for bank's headquarters with a provision for a rotating five-year presidency among BRICS members. While the selection of Shanghai rather than Mumbai as the venue for the bank's headquarters is being seen as the defeat of the Modi government, it is believed that the grant of the bank's presidency to India for the first five years could partly make up for this defeat. The Indian Prime Minister, Narendra Modi, declared that the setting up of BRICS bank was a significant step for inclusive global economic growth.[60]

Despite consistent emphasis by India on the notion of 'inclusive growth' in both IBSA and BRICS, the very logic of neoliberalism obstructs the equitable distribution of income across all sections of Indian society. Against this backdrop, the overall increase in GDP through enhanced intra-IBSA or intra-BRICS trade is not likely to address India's sharp income disparities between regions and classes. Though India's aspiration to introduce reforms in the existing global financial structure is implicitly marked with an intention to collectively exercise a greater say in world affairs and is explicitly justified in the name of 'high growth', its adherence to the ideological framework of the existing multilateral economic institutions prevents it from providing any alternative economic and social model that could be beneficial for the poor masses.

While IBSA and BRICS primarily focus on the socio-economic dimensions of development[61], the BASIC countries—a geopolitical alliance between Brazil, South Africa, India and China—emerged out of the United Nations Framework Convention on Climate Change (UNFCC) talks and exclusively deal with the environmental aspects of inclusive growth.

At the 2009 Conference of Parties (COP-15) in Copenhagen, the BASIC countries committed themselves to define a common position on emissions reduction and the climate finance needed by developing countries to make an energy transition. According to media reports, they planned a possible united walk-out if their minimum position was not met by the North.[62] Ultimately, the Copenhagen Summit failed to deliver a comprehensive and legally-binding emissions reduction treaty, and the BASIC countries were proponents of the Copenhagen Accord, a controversial text which effectively shifted the climate negotiations from a legally-binding framework to one based on voluntary commitments.

India proposed cutting carbon intensity (that is, the amount of carbon dioxide released per unit GDP) by 20-25 per cent by 2020 from the 2005 levels, and promised to do more if industrialised countries supported these efforts through the transfer of technology and climate finance. India did not agree to any emissions peaking year or international monitoring of its domestic emissions reduction actions, except in those projects that had international assistance. During his meeting with the Environment Ministers of BASIC countries, India's former Prime Minister, Manmohan Singh declared that the "equal per capita rights to the atmospheric space should be the goal of future negotiations on climate change".[63] However, the principle of equity was diluted by India at the Cancun COP in 2010, when India agreed to the concept of equitable access to sustainable development in place of equitable access to atmospheric space.[64]

Trying to recover the lost ground at the Durban Climate Conference in 2011, India's former Environment Minister Jayanthi Natarajan emphasised that the industrial countries should move first in cutting fossil fuel emissions, saying that "India, China, Brazil and South Africa are not major polluters. They are emerging market economies that have a small footprint in the context of historical emissions (...) they should not be asked to move first on reducing greenhouse gas emissions".[65]

Some of the academicians and activists argue that India could still do more, noting that the advanced developing countries associated with BASIC are different from the rest of the more than 150 developing countries whose combined carbon emissions constitute just three-quarters of the total emissions from the four BASIC countries.[66]

INDIA's EVOLVING RELATIONS WITH THE SOUTH: IMPLICATIONS FOR INDIA'S RELATIONS WITH THE NORTH (*G8+5, G20*)

India's growing collaboration with the emerging economies of South, as manifest in the activities of IBSA, BRICS and BASIC, is an instance of Southern economies using each other as 'force multipliers' to increase their collective bargaining position in institutions of global governance hitherto dominated by the North. As a result of this collaboration, India and its African and Latin American partners are assuming a range of pivotal activities and strategic relationships in the realms of foreign policy, global trade and international security. Indeed, it could be argued that the countries of the South are becoming more influential than those of the North in setting the dynamics of contemporary international relations, at least in some regions and on certain issues.[67]

However, India's strategic collaboration with the South has never been driven by a desire to subvert its relations with the North, or to bring about fundamental changes in international political governance or economic policy. This becomes evident on two grounds: first, India does not seek to replace the Bretton Woods institutions rooted in the North but only advocates certain desirable 'reforms' therein; second, India aims at utilising the multilateral forums of the South—IBSA, BRICS and BASIC—for smoothing the lines of communication and recalibrating the power balance between the North and the South. As Manmohan Singh, the former Indian Prime Minister said:

> [BRICS need to] expand the capital base of the World Bank and other Multilateral Development Banks to enable these institutions to perform their appropriate role in financing infrastructure development(...) As members of the G20, we must together ensure that appropriate solutions are found to help Europe help itself and to ensure policy coordination that can revive global growth[68](...) We call for a quick achievement of the targets for the reform of the International Monetary Fund agreed to at previous G20 Summits.[69]

The fact that India is a member of both the G20 and the G77 highlights the tensions and contradictions that it faces in attempting to play the power game yet at the same time claiming to speak for the South. It is not always clear to which 'club' it wants to belong. As international relations scholar Daniel Flemes writes:

> The functional leadership of IBSA/G3 is most evident in the WTO negotiations(...) Leading the G21 coalition of developing countries in the Doha Round, India, Brazil and South Africa demanded the establishment of global market conditions that would allow the developing countries to benefit from their comparative advantages in agriculture, industry and services(...)
>
> But the G3 has not always spoken on behalf of the global South: it is true that the WTO conference in Cancun failed because the industrialised countries were not willing to reduce their agricultural subsidies to a sufficient extent, but the G3 was also not representing net food importers, like most least developed countries (LDCs), which are not interested in the reduction of agricultural subsidies in Europe and the US that keep prices low (...)
>
> And while the WTO negotiations hardly progressed in terms of content, Brazil and India were able to improve their positions in the international trade hierarchy. At the 2004 WTO conference in Geneva they were invited to form the G5 preparation group together with the EU, the USA and Australia(...) And at the 2007 G8 Summit in Germany, Brazil, India and South Africa (with China and Mexico) were invited to formalise their dialogue with the elitist club of the richest industrialised countries through the so-called Heiligendamm process.[70]

The 'exclusive' benefits enjoyed by the emerging economies have raised doubts about their obligation towards the other developing countries. Despite India's clear verbal commitment towards the upliftment of the South[71], its membership (along with other emerging economies and the developed countries of the North) of G8+5 and G20 has generated 'uncertainty' with regard to its actual intent to transform the existing world order in favour of the larger developing world organized as G77.

In the immediate aftermath of the BASIC Summit in 2010, concerns were expressed that the four 'advanced developing countries' had broken ranks with the G77 and struck out on their own.[72] A few Indian scholars argue that the growing potential of the emerging economies of the South can help form a bridge between the G20 and G77, whereas others consider the expansion of the G8 into the G20 as an attempt by the US to dilute the influence of these groupings. Commenting on the confusion emanating from India's simultaneous membership of various multilateral forums guided by divergent interests of the North as well as the South, Kamal Mitra Chenoy, a Professor at the School of International Studies at Jawaharlal Nehru University, said:

> India will be doing an awkward balancing act between these divergent groupings (...) It is not clear how high a priority India will accord to each of the different groupings and reconcile divergent mutual interests (...) One can only hope that India does not fall between two or three different stools (...) A mishap could derail the larger developing-country agenda on trade and reform of the global economic order.[73]

Another worrying factor is the tendency towards fragmentation within IBSA, BRICS and BASIC, originating from certain clashing nationalistic agendas of the member countries. Sreeram Chaulia, of the Jindal School of International Affairs, writes:

> BRICS states were caught flat-footed by the West on the question of intervention in Libya. This year, BRICS are split right down the middle on the Syrian crisis, with Russia and China vetoing a Western resolution in the Security Council while South Africa and India voted in favour. Unity of IBSA that negates BRICS weakens both groupings.[74]

Furthermore, there are reservations about the fate of IBSA due to the incorporation of South Africa in the BRIC club and the Chinese demand for BRICS to be amalgamated with the IBSA dialogue forum. After instigating the extension of BRIC membership to South Africa, China lobbied India to dissolve IBSA, arguing there would be unnecessary overlap with BRICS. India understands that the Chinese want IBSA to be closed down because Beijing has no direct role to play in it. However, India wants a diplomatic/strategic space for itself, where it does not have to be in the company of its dominant giant neighbour. India also looks at IBSA as a counterweight to China's ambitions in Africa.[75]

Analysing the divisiveness within the framework of BASIC, journalist and commentator Praful Bidwai writes:

> On climate change, the BRICS countries have very little in common. Russia belongs to the Annex 1 category of countries which have binding obligations to reduce greenhouse gas emissions. The others don't. But Russia has huge surplus emissions allowances. So these obligations don't mean much. The other four formed the BASIC grouping in late 2009 mainly to avert binding commitments. But BASIC got considerably weakened at the last climate summit, at Durban [in 2011]. China and India opposed obligations in principle. Brazil and South Africa were willing to accept them under conditions such as monetary compensation for preventing deforestation.[76]

Saliem Fakir, an analyst for the South African Civil Society Information Service (SACSIS) observes:

> The very pursuit of external foreign interests by the emerging economies depends on what deal they carve amongst themselves as nations and how they resolve their domestic internal tensions; notably the chasm between the externally focused cosmopolitan elite and the internally subjected poor who carry the yoke of demands for cheap labour.[77]

In the light of the events questioning the integrity of the emerging economies of the South, India's relations with Latin American and African regions can probably be better explained by examining the points of conflict and cooperation in India's 'inter-regional' strategies.

INDIA's INTER-REGIONAL STRATEGIES: MAPPING THE CONFLICTUAL AND COOPERATIVE TRENDS

Has India been able to balance its national and regional priorities with the exigencies of inter-regional cooperation? Do India's national, regional and inter-regional commitments contradict each other? Ambassador Arun Kumar Singh, Deputy Chief at the Indian Embassy in Washington, argues: "In the case of India, conflicts of interest between national and collective priorities are rare(…) What IBSA has been doing by way of South-South cooperation is very much a part of what India has been trying to attempt for decades".[78] Though this assertion appears somewhat justified in the context of India's historical solidarity with post-colonial Latin American, African and Asian countries through the NAM (between 1950s and 1980s) and the demand for New International Economic Order (between 1970s and 1980s), currently India's specific interactions with Latin America and Africa are faced with peculiar challenges and opportunities.

In 2011, the UN Economic Commission on Latin America and the Caribbean (ECLAC) released its first report on India and India-LAC links. The ECLAC report states that: "The region's trade with India was negligible until the beginning of the past decade. Since then, trade with the Asian country has burgeoned".[79] Though India has signed a preferential trade agreement with Mercosur (Argentina, Brazil, Paraguay, Uruguay, and Venezuela),[80] the Brazil-India connection remains at the centre of Indo-LAC relations. Indian companies have already invested some $1.5 billion in Brazil, and Brazilian companies $600 million in India. Brazil has what India lacks: a large and fertile land mass with abundant water that can significantly increase the production of food.[81] While Brazil is becoming a fossil-fuel energy powerhouse after discovering enormous oil fields off its coast, India imports 70 per cent of its oil needs. On the other hand, India's IT and IT-enabled services industry have played a major role in India's outward expansion in Latin America. Tata Consultancy Services (TCS) has established a presence in eight of the larger Latin American countries; Wipro and Evalueserve, among others, are also there.[82] According to official records, Indian investments in Brazil have increased in recent years, particularly in the field of information technology, biotechnology and pharmaceuticals. The volume of bilateral trade passed $10 billion in 2011-12, a 34 per cent increase over the previous year. According to Deepak Bhojwani, a consultant on Latin America and a former Indian consul general in Sao Paulo, the balance of trade is tilted in India's favour.[83]

Apart from trade, India and Brazil have the 'possibility' to learn from each other's poverty-alleviation projects—Bolsa Familia in Brazil and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) in India. India can also learn from Latin American inter-state political processes. As Brazil and Argentina have successfully moved from a position of rivalry and tense relations to a gradual and balanced political and diplomatic proximity[84], India could draw lessons in order to consolidate peaceful relations with its neighbours, especially Pakistan and China.

Another priority area for India in the twenty-first century is Africa. During the Second India-Africa Forum Summit held at Addis Ababa in 2011, the then Indian Prime Minister, Manmohan Singh, called Africa the "new growth pole" in the world.[85] According to Niranjan Desai, the former High Commissioner to Uganda, Africa is strategically and geopolitically significant for India.[86] The East African seaboard, from the Horn of Africa to South Africa, falls within India's strategic maritime "neighbourhood". Therefore, there is a geostrategic incentive for collaboration between India and Africa to maintain the Indian Ocean as a peaceful zone to encourage trade and enhance mutual security concerns. Besides, Africa is becoming an increasingly important source of oil, minerals and other raw materials for the growing needs of the quickly expanding Indian economy.

India's partnership with Africa is based on skills-transfer, capacity building and trade and investment at three levels—pan-African (AU), regional (SADC, ECOWAS etc.) and bilateral (South Africa, Egypt, Nigeria, Libya, Kenya etc.).[87] At the Pan-African level, India has promised to cooperate with Africans in the spheres of food processing, integrated textiles, weather forecasting, life and earth sciences, agriculture and rural development. At the regional level, India is helping to establish institutions such as soil, water and tissue testing laboratories, regional farm sciences centres, seed production-cum-demonstration centres and material-testing labs for infrastructure development. At the bilateral level, India and various African countries will jointly establish institutes for English-language training, information technology, entrepreneurship development and vocational training.

Several Indian pharmaceutical and healthcare companies such as Ranbaxy, Cipla, and Emcure, and IT firms like TCS, HCL, NIIT and Aptech have launched operations in Africa. Indian corporate houses like Dabur and Tata Coffee have ventured into the agricultural sector in Africa, while Indian public sector companies like Bharat Heavy Electronics Limited (BHEL)—as well as private sector firms like Tata and Kalpatru Power Lines—are making inroads in power and energy sector across Africa.

Of course many of these projects may, in themselves, be beneficial for the countries involved but there should be no doubt that India's interests are being well-served by engaging in these strategic sectors, always with an eye on its competition with China. It is no coincidence that India is also part of the land-grab in Africa, acquiring access to huge tracts of land in Cameroon, Ethiopia, Madagascar, Mozambique and Sudan for the purpose of growing food for export back to India. (See Land Chapter for discussion of land grabbing and investment.)

Abdullah Verachia, of Johannesburg-based consultancy Frontier Advisory, says that "India sees South Africa as an investment gateway into the rest of Africa". On a visit to Mumbai in April 2011, South Africa's deputy minister of Trade and Industry, Elizabeth Thabethe, said bilateral trade was expected to reach $15 billion by the end of that year, up from an original estimate of 10 billion dollars.[88] A high-level international conference, that took place as the first concrete activity following the IBSA-ILO Declaration of Intent signed in November 2010, recognised the progress made by countries of the South in developing solutions to the challenges of poverty and decent work opportunities, in particular, India's MGNREGA and South Africa's Expanded Public Works Programme (EPWP).[89]

These opportunities, however, present new challenges. It has been suggested that if the India-Latin America (and the Caribbean) ties are to develop further, the density of their mutual exchanges needs to be increased, and a few trade agreements need to be taken to the next level. This implies institutionalising them, making them part of the regular agenda of government and the private sector.[90] In a similar vein, the ECLAC report suggests a number of steps, including developing joint strategies for trade and investment promotion; working together on infrastructure; competitiveness and innovation; and launching a series of policy dialogues on inter-regional cooperation. However, it is crucial to ensure that the benefits of the free trade agreements and other joint ventures also become accessible to the lower reaches of their societies. It is also noteworthy that India is not alone in attempting to intensify links with Africa. India faces rivalry from other countries that are vying to develop closer links with Africa—such as China, Brazil, Malaysia, Turkey, Japan, EU and the US. The mutual rivalry between the emerging powers of the South originates from their prioritising national interests over and above the unified interest of the South.

Of course corporate interests are behind the drive to expand commercial and trade links. Influenced by industry groups such as the Confederation of Indian Industries (a major policy setter for India along with FICCI, etc.) and private business interests, India's new strategists have ensured that commercial interests are effectively folded into India's foreign policy and trade and investment strategy more than ever before.[91]

However, the intervention of civil society can occasionally challenge the formation of a corporate-dominated consensus on Indian foreign policy issues. It is significant to analyse the comparative importance of nationally-based transnational corporations (TNCs) and civil society actors in shaping India's foreign policy.

ROLE IN SHAPING INDIA's FOREIGN POLICY: NATIONALLY-BASED *TNCs* VERSUS CIVIL SOCIETY MOVEMENTS

Under the patronage of the liberalised Indian state, the new-found strength and vibrancy of sections of the Indian services and manufacturing sector has led Indian firms and the government of India to develop a mission plan to support growth and become internationally competitive.[92] Consequently, a large number of Indian enterprises are forming growing networks of overseas operations. They include pharmaceutical companies (such as Ajanta Pharma, Ranbaxy, Mastek) and engineering companies (L&T, Voltas, Usha, Beltron, Asian Paints, Essel Packaging) among others.

Lately, Indian enterprises have also started using overseas acquisition as a way of establishing a foreign presence. The motives of the acquisitions are often similar to those of greenfield entries (for example building marketing networks in foreign markets), but they are also strategic with a view to filling gaps in their capabilities, or obtaining access to technologies, brands, natural resources and other assets.[93]

These are therefore generally concentrated in the spheres of the competitive advantages of Indian companies. For instance, Ranbaxy acquired RPG Aventis in France; Dr Reddy's Labs acquired Beetapharm in Germany; Cadila acquired the generics business of Alpharma in France; Asian Paints acquired Berger International, thus obtaining a foothold in countries across the world; Tata Steel set up an affiliate in South Africa and acquired NatSteel in Singapore; Tata Tea acquired Tetley of the United Kingdom - one of the world's biggest tea companies - thus gaining the control of a full value-chain in tea processing; and Titan Industries has set up a network of foreign affiliates in Europe and Asia to conduct its overseas business and build its brand internationally.[94]

Exploiting the benefits and new opportunities flowing from India's new liberalisation approach, Indian companies are also acquiring stakes abroad to broaden their access to resources. These include ONGC Videsh's investments in acquisitions of oil-related equity abroad; the Aditya Birla Group's acquisition of two copper mines in Australia; and Reliance Group's acquisition of telecoms infrastructure provider Flag Telecom. India was listed as one of the top 10 manufacturers of the world in 2010, according to the United Nations Industrial Development Organization (UNIDO). India has overtaken Brazil in the production of motor vehicles, and now ranks second among developing countries after Mexico. Apart from China, India tops the list of developing countries in the production of textiles, chemical products, basic metals, general machinery and equipment, and electrical machinery.[95]

However, the benefits of manufacturing and value-addition by Indian TNCs are not equally distributed across the diverse segments of Indian society. The rural population involved in the agricultural sector remains worst affected by the neoliberal structural adjustment programmes of the Indian government. The failure of TNCs to deliver on neoliberal promises (that is, to facilitate the 'trickling down' of profits to the majority) has given birth to new social movements. Since the appearance of the 'neoliberal consensus' in the post-Cold War period, the connection between global and local exclusion has become decidedly more prominent. In 1999, sociologist Manuel Castells wrote:

> The global economy is characterized by a fundamental asymmetry between countries, in terms of their levels of integration, their competitive potential, and share of benefits from economic growth(...) the consequence of this is the increased segmentation of the world population(...) leading to increased inequality and social exclusion.[96]

The symptom of this increased segmentation and exclusion is quite apparent in India. The ruling government wants India to be a great power to give its 'elite' greater access to a globalising world, but does not appear to have much interest in empowering the 'common people'.[97] For instance, the poor farmers who constitute a considerable section of the Indian population and are comparatively less integrated within corporate-led neoliberal development policies, bear the brunt of social exclusion. The farmer suicides in Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh and Chhattisgarh are glaring examples of the hardships faced by Indian farmers due to the pursuance of the neoliberal path of prioritising high economic growth above all else. According to the National Crime Records Bureau (NCRB) data from 2009, more than 216, 000 farmers have killed themselves since 1997.[98]

Though the various social movements in India—such as Narmada Bachao Andolan, farmers' organisations, anti-mining and anti-nuclear campaigns, Naxalite/Maoist movements, anti-corruption movements—fight against different forms of social exclusion at the state level, they do not necessarily present a direct challenge to the legitimacy of the Indian state. As the eminent social movement scholar Rajni Kothari observed, despite receiving poor treatment from the state, many of the social movements in India still turn to the state for services and resources. Thus, it is not always the political order they wish to change, as much as their position in that order. [99]

An exception to this trend was the political initiatives taken by the Aam Aadmi Party (AAP) – a political party that emerged from the anti-corruption movement and took rigorous steps to transform the corrupt political system during its short-lived rule in the Union Territory of Delhi between December 2013 and January 2014. However, the initiatives to change the existing political system by AAP was severely criticised by the opponents as a move towards 'anarchism'.

Nevertheless, the advent of neoliberalism has definitely altered the relationship between civil society and the state in India. On the one hand, there is a kind of 'collaborative' relationship between the two which is new in form, content and magnitude. The state has opened itself up to work with those organisations that are not totally against its policies. The state invites these organisations to take part in the formulation of state policies, and the implementation of state-driven social development programmes. The state also seeks their support for revitalising participatory institutions of decentralized governance, as well as sub-contracting service delivery to NGOs and other private sector actors at the local level, albeit at the cost of weakening its accountability.

On the other hand, the state deals harshly with social movements opposing state-driven projects of high economic growth. For instance, the special economic zones (SEZs) and mining projects that grab agricultural and forest land, forcing poor people off it, are dealt with heavy-handedly by the state, at times resulting in state-sponsored violence to silence dissent[100]. Popular movements against uranium mining at Domiasiat in Meghalaya, for example, have been repressed. The Ministry of Home Affairs has frequently resorted to police force to deal with the Maoist violence which is the consequence of increased atrocities against scheduled castes and scheduled tribes (especially in the central tribal belt), and widespread tribal unrest due to the commercialisation of forest resources. The Indian military have also been involved in violent crimes against civilians in Kashmir and the north-east for decades.

Meanwhile, conflicts have emerged between communities, such as the violence against Christian communities in the Indian state of Karnataka, and fierce conflict between indigenous groups and Muslims in Gujarat, Assam, and Pune. It has been argued that organising, preparing and imagining communal violence is endemic to the way democracy, identity and political power functions at the level of neighbourhoods and streets in India.[101]

The anti-NGO report submitted by the national intelligence agency in June 2014 listing dozens of organisations and individuals associated with various social movements has raised the spectre of a general crackdown on these movements. The report states that the funding of several NGOs was "cleverly disguised" as donations for issues like human rights, but instead was invested in stalling developmental projects.[102] Narendra Modi, India's Prime Minister, has attacked NGOs in his speeches, previously describing foreign-backed protesters as 'five-star activists'. The activists are fearful that the anti-NGO stance of the Modi government is a kind of witchhunt with longer term implications that could repress all kinds of popular struggles. The instances of state violence have not only widened fissures between state and civil society, they have also fractured civil society from within—those who work with the state, and those who oppose it.[103]

CONCLUSION: CAN INDIA BE A BEACON IN A POST-NEOLIBERAL WORLD ORDER?

Writing on 'India in 2025—What kind of Superpower?', Professor Michael Dingman of the University of Maryland argued:

> India's emergence as a superpower will show that it is possible to lift millions of people out of poverty within one generation while embracing pluralism, a free press and a vibrant, multi-party democracy. India has the potential to combine rapid economic growth with fairness towards and inclusion of those at the bottom rungs of the ladder (…) And, finally, India in 2025 is likely to emerge as one of the world's most entrepreneurial societies.[104]

This optimistic projection creates a 'powerful' image of India. However, the boosters tend to overlook the grave social and environmental costs that are incurred in attaining this image. Although the neoliberal path to high growth might boost GDP and create wealth for the elite, the pertinent question is: how can the gains of a few be justified at the cost of the losses of many? This question requires a convincing answer. As the essentially 'pragmatic' approach of the Indian strategists keeps them preoccupied with the goal of attaining 'major power status', this question of comparative gain and loss is likely to remain implausibly answered at best, and deliberately ignored at worst.

The gains of 'elites' at the cost of the losses of 'common masses' can never become acceptable in a truly egalitarian society. The continuously widening gap in the economic position of various sections of Indian society as a result of the growing imbalances across various sectors of the Indian economy has been most effectively explained by Achin Vanaik. Although he concedes that in economic terms India is one of the top 10 performing countries, he warns that India's high growth rate has been led by the services sector, which accounted for 57.8 per cent of GDP in 2010/11, compared with industry's share of 28 per cent and only 14 per cent for agriculture. As this high growth rate is services-led, its positive impact on most Indians has been much weaker.[105] Sixty per cent of the population of India still depends on agriculture-related activities for its livelihood, while only a small fraction of the population is engaged in the service sector. In India, overall rates of employment generation and poverty reduction have been slow. The three major types of inequality in income and wealth—rural versus urban wealth, income distribution by profits versus wages, between least and most developed regions—have all worsened. The unique disjunction in the Indian economy is that more than half of the population depends on employment in the agricultural sector while more than half of fixed capital stock (excluding real estate) is in the industrial sector; and more than half of output comes from the services sector. These 'asymmetries of employment-investment-growth' imply that, despite achieving consistently high growth rates, development—in the most meaningful sense of the term—has not been achieved. Despite its impressive growth performance, since 1990 India has ranked somewhere between 120 and 135 in the UNDP's Human Development Index.

Indian social movements that struggle to remove these asymmetries and consolidate egalitarianism are either co-opted or crushed by the Indian state, or remain less effective in the absence of appropriate coordination and organisation. Nonetheless, the recent materialisation of limited state-civil society partnership—wherein the Indian state works along with the NGOs willing to accept its neoliberal framework—is a significant move towards giving Indian capitalism a 'human face'. NGOs like SEWA that work for the empowerment of Indian women have been able to improve not only the potential of their clients to build better futures for themselves, but also their capacity to survive threats to their livelihoods.[106] In general though, the limited success of social movements in redirecting India's model of development, in the face of elite intransigence, indicates a low probability of India becoming a beacon of an alternative post-neoliberal world order.

Kamal Mitra Chenoy suggests that the following foreign policy thrusts could enable India to advance alternative economic, social and environmental policies at national, regional and international levels: (i) a sustained and comprehensive challenge to asymmetrical power relations and the replacement of the dominant neoliberal paradigm with more egalitarian and pro-people ideas; (ii) striving for the democratisation of international institutions; (iii) linking up with regional bodies and institutions of the South; (iv) widening discussions on climate crises, financial crises, food sovereignty and human security issues; (v) ensuring that the voices of grassroots communities and civil society movements that contest the ideas of convergence with the North, and work to build alliances with the South, are represented at all international policy levels.[107]

While the tasks of democratising international institutions, associating with regional bodies of the South, and discussing issues pertaining to crises and human security are being pursued seriously by the Indian state, it is essentially being pursued within the confines of the neoliberal paradigm. Consequently, the designing of an alternative and more egalitarian model of development—that seeks to replace the present neoliberal model—is not likely to be undertaken by Indian policy makers in the foreseeable future. Only those voices of the grassroots that do not threaten the neoliberal commitment of the Indian state are likely to find representation in India's official stance at international forums in the short run. In the long term, though, continuous engagement of Indian civil society with the Indian state on the one hand, and with counterparts in the Global North on the other hand, is both strategically prudent and morally desirable. As India's strategists continue to seek to extend their 'neighbourhood', increased collaboration with North and South—both at the levels of state and civil society—can in fact be instrumental in helping India promote the case of the Global South and accordingly reshape the existing world order.

Endnotes

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SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER FIVE

THE BRICS ALLIANCE

CHALLENGES AND OPPORTUNITIES FOR SOUTH AFRICA AND AFRICA

WILLIAM GUMEDE

The BRICS Alliance: Challenges and Opportunities for South Africa and Africa

WILLIAM GUMEDE*

INTRODUCTION

For the past decade, Africa has experienced the longest continuous growth spurt since independence from colonialism.[1] The African boom has been fueled mostly by a mining boom, with income generated by the export of natural resources financing a consumer boom.[2]

Most of the $43 billion foreign direct investment into Africa in 2013 was in extractive industries.[3] Natural resources still account for three-quarters of sub-Saharan Africa's exports, according to World Bank figures.[4] The seemingly unlimited appetite for African commodities from the fast-growing emerging markets mainly the BRICS countries, such as China and India, have been among the key drivers of African growth.

The rush by BRICS countries to invest in Africa has turned it into a globally positive investment story, rewriting Africa's narrative into one of new opportunities, rather than the old narrative of the continent being a burden, waiting for handouts from the West and former colonial powers.

In 2013, BRICS members' trade with Africa stood at $350 billion.[5] According to South Africa's Standard Bank,[6] BRICS members' trade with African countries had jumped 70 per cent in the past five years, or by $150 billion since 2008. China's share of the BRICS-Africa trade in 2013 was 61 per cent, with India having 21 per cent, Brazil 8 per cent, South Africa 7 per cent and Russia 3 per cent. The BRICS countries share of total global output was 20 per cent in 2013.

Brazil over the last decade has increased its trade with Africa from $4.2 billion to $27.6 billion,[7] with these investments mostly focused on the Lusophone African countries. In early 2013, Brazil cancelled the $900m debt of 12 African countries.[8] More than half of Brazil's technical cooperation is with Africa.[9] Natural resources make up 90 per cent of Brazil's imports from Africa. Brazil sells manufactured products to Africa such as vehicles, machinery and processed goods as well as agricultural goods such as diary products, meat and sugar.[10]

Brazil has used its cultural affinity to Africa, its large African-origin population and its language ties with Lusophone Africa, as a competitive advantage. Brazil under former Workers' Party leader Lula da Silva, stepped up its trading with Africa as a means of diversifying its dependence on industrial countries.[11]

India has increased trade with Africa, from $3 billion in 2002 to $62 billion in 2011.[12] The Indian government aims to increase this to $90 billion by 2015.[13] Primary commodities make up 91 per cent of Africa's exports to India, with oil making up 61 per cent of this over the last decade.[14]

In 2012, Russia wrote off debts of $20 billion of from African countries.[15] Bilateral trade between Russia and Africa rose to a peak of $7.3 billion in 2008—a tenfold increase from the $740 million in 1994.[16] Almost 80 per cent of Russia's imports from Africa are agricultural products—edible fruit and nuts (29 per cent), cocoa (16 per cent) and tobacco (9 per cent).[17] Russia exported mostly processed products to Africa: cereals (31 per cent), machinery (3 per cent), and wood (12 per cent), iron and steel (11 per cent), fertilisers (6 per cent), mineral oil and fuel (22 per cent).[18] Russia has dramatically expanded its military cooperation with Africa, selling arms, military equipment and providing military training to African countries, accounting for almost 15 per cent of African arms purchases.[19]

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In 2012, if South Africa is excluded, Africa was the source of 15 per cent of overall BRICS imports, or $420 billion out of $2.8 trillion, according to figures from South Africa's state-owned Industrial Development Corporation.[20] The imports were concentrated on selected countries and dominated by minerals: Angola, Nigeria, Libya, Algeria and Egypt for crude oil and gas; the Democratic Republic of Congo and Zambia for copper; and Liberia, Sierra Leone and Mauritania for iron ore and concentrates.[21]

In 2013, South Africa's trade with the rest of Africa stood at $25 billion. South Africa exports mostly manufactured goods to other African countries. The top five South African exports to Africa in 2012 were machinery (22 per cent), base metals (14 per cent), transport equipment (14 per cent), chemical products (11 per cent) and mineral products (10 per cent).[22] Almost 80 per cent of all South Africa's imports from other African countries are minerals and oil-related products.[23]

BRICS total trade with Africa is more than trade between BRICS countries. In 2012, for example, BRICS total trade with Africa was $340 billion, while trade between BRICS countries for the same period amounted to $310 billion.[24] By the end of 2012, South Africa's trade with BRICS countries represented 19 per cent of the country's total trade[25]. By the end of 2011, South Africa recorded R4.2 billion ($504m) in trade with Russia, R55billion ($6.6bn) with India, R18 billion ($2.2bn) with Brazil and R188 billion ($22.6bn)with China.[26] South Africa ran a trade surplus with Russia of R1 billion ($120m) in 2011.[27] South Africa ran a trade deficit with China of R18 billion ($2.2bn) in 2011; in the same year, the trade deficits with Brazil and India were R6.1 billion ($732m) and R4.9 billion ($588m) respectively.[28] South Africa's exports to China and India are dominated by mineral exports, mostly iron-ore and concentrates, and coal.[29] In 2012, about 46 per cent of South Africa's exports to China were iron-ore and concentrates, and 11 per cent of coal products.[30] Also in 2012, 53 per cent of its exports to India were iron-ore and concentrates, and 6 per cent were coal. South Africa's exports to Brazil are more diversified, including manufactured products—which actually create jobs and higher income—and chemicals and minerals.[31] Transport-related machinery, including vehicles, made up around 28 per cent and agroindustrial products 40 per cent of South Africa's exports to Russia in 2012.[32]

BRICS members' interest in Africa as a new investment destination has prompted Western countries—such as the US, Japan and the European Union(EU)—and oil-rich Middle Eastern countries to follow suit. Suddenly, BRICS interest in Africa has prompted Western countries and companies to invest in ways never done before. Africa has become the new frontier market for many old industrial powers wanting to reboot their economies, and for the new emerging powers wanting to maintain high growth levels.

WHAT DO *BRICS* OFFER AFRICA?

South Africa is under pressure from fellow African countries to show that BRICS will benefit them (African countries). At the BRICS summit in April 2013 in Durban, South African President Zuma handpicked key African leaders to join the BRICS leaders for a meet and greet, where he and senior BRICS leaders met with the African leaders to sell them the benefits of BRICS. The April 2013 BRICS summit declaration on Africa was carefully constructed to show BRICS good intentions to Africa, vowing that BRICS are "committed to support Africa's development agenda by strengthening their cooperation in the search for synergies for investment in Africa's infrastructure, agriculture and manufacturing sectors".[33]

Some African countries, civil society groups and analysts have rightly complained that BRICS engagement with Africa could replicate Africa's low-quality growth model—enriching African elites, rather than the masses, undermine Africa's own agricultural and manufacturing sectors, lead to vanity infrastructure projects for African elites and undermine attempts to foster democracy on the continent.

Since independence, the chances of African and developing countries of prospering have been heavily curtailed because the global political, trade and economic rules are heavily skewed against them in favour of developed countries. African countries have little say within global institutions, such as the United Nations, World Bank, International Monetary Fund, World Trade Organisation, the G8 and the G20 (where Africa's participation is little more than as an observer).

African countries have lacked the freedom to come up with economic policies appropriate to their own circumstances—a handicap not restricting richer nations. Only if African countries have the space to decide what policies to pursue can they turn their economic gains into what UNCTAD Secretary-General Supachai Panitchpakdi calls, “real productive capacity”.[34]

The BRICS countries are pushing for the global trade, economic and political architecture to be made fairer. The BRICS aim to “rebalance” the global political, economic and trade systems away from Western bias, and bring new ideas and fresh solutions to the globe’s pressing problems.[35]

The increasing global power of BRICS countries’ appears to have already made many multilateral agencies scramble to bring on board African and developing country interests—previously mostly ignored.

As BRICS countries prise open the policy space to come up with independent development policies appropriate to their own country circumstances, this could translate into the opening of the policy space for individual African and other developing countries. Many African and other developing countries—using as a bargaining chip the potential as alternative trade partners of a booming BRICS, and other emerging powers—are already able to extract better terms from industrial powers and former colonial powers. BRICS countries also offer African countries new markets and sources of development finance, at a time when its current markets and sources of finance in the EU and North America face the prospect of economic decline due to the aftermath of the global financial and Eurozone crises.

Most of the developed countries’ aid to Africa since independence has often come with onerous conditions. African countries were either compelled to follow the—often outrageously inappropriate—policies of the donor countries, support them in international fora, or use their companies and skills in donor projects. Already, some of the new development aid to African countries from BRICS has come without the customary strings attached. The mere fact that BRICS countries are starting to offer development aid to African and developing countries without onerous conditions may force developed countries to ease the tough conditions attached to their development aid.

TRANSFORMING AFRICA’s LOW-QUALITY GROWTH MODEL

Since independence, most of Africa’s economic growth has been of low quality: unable to create jobs, or reduce inequality and poverty. Africa’s post-independence and Cold War growth model has seen the continent producing the raw materials, and former colonial powers finishing off these products and selling them back at high prices. Growth based on exporting raw materials or commodities concentrates benefits to a few, and brings in less income, fewer jobs and fewer skills, while not substantially reducing poverty and inequality.[36]

The African growth model has been rightly described by the Africa Progress Panel as ”inequitable, jobless, (and) volatile”, and if the current pattern continues, is unlikely to lead to widespread job creation and poverty reduction.[37] However, Africa’s low-quality growth model is being repeated in Africa’s rising trade with BRICS: relying on exporting raw materials instead of diversifying into manufacturing, services and value-added products.[38]

While individual African countries suffer from the global power inequality between their nations and those of developed countries—and African leaders rightly decry these global inequalities between poor and rich nations—within individual African countries deep inequalities exist between ruling elites and ordinary citizens, whether based on class, gender, age or access to decision-making. Inequalities within African countries are among the highest in the world. In fact the high poverty rates in Africa are in most cases a result of very high levels of inequality.[39] New figures show that 70 per cent of Africa’s total population live in countries that have growth rates of more than 4 per cent.

However, only four per cent of Africans earned more than $10 a day with half of the population in fast-growing African economies living below $1.25 a day,[40] and more than 200 million people still needing humanitarian aid. Africa's share of global poverty has risen from 21 per cent in 1999, to 29 per cent in 2008.[41] Africa's high growth rate has mostly been because of an increase in revenue from exports of minerals and hydrocarbons—which consists of more than 50 per cent of the total.[42] Africa is also heavily dependent on foreign manufactured goods.[43] It is often the cases that Africa's raw materials—which do not create many jobs—are exported to industrial and new emerging markets and then re-imported as finished goods. Hence, African countries do not benefit from the job creation or higher value of processing their own raw materials.[44]

African Development Bank research showed the extent of the inequality. It showed that about 100,000 Africans had a net worth of $800 billion in 2008 or about 60 per cent of Africa's GDP or 80 per cent of sub-Saharan Africa's GDP.[45] The 2012 Africa Progress Report noted that economic growth has reduced poverty in Africa less than anticipated, with the "poor receiving too small a slice of the expanding wealth".[46] It also pointed out that most African countries were not on track to achieve the Millennium Development Goals by 2015, while there was "minimal progress on education, child nutrition and maternal health".[47]

Former UN General Secretary Kofi Annan said: "Disparities in basic life-chances—for health, education and participation in society—are preventing millions of Africans from realizing their potential, holding back social and economic progress in the process."[48] What is actually happening is that Africa has notched up economic growth that is "reinforcing" inequalities, rather than reducing them. In short: Africa's rich are getting richer, and the poor are—at best—marginally better off, with the vast majority remaining poor or becoming even poorer.

A 2014 report by African Development Bank warned that the quality of the continent's economic growth still needed to be improved and current low-quality growth was not improving Africa's human development indicators, namely providing increase access to healthcare, education and jobs.[49] Yet, if rising growth does not lead to an equivalent rise in human development it will make Africa's growth vulnerable to reverses and shocks.

Africa's post-independence history of 'low-quality' high growth—which leads to sudden and visible wealth, which in turn only benefits small elites (whether political, ethnic or religious) leaving the masses impoverished—has often fostered the conditions for coups and religious and ethnic fundamentalism. The Arab Spring rebellions are a consequence of the deep gulf between the relatively small ruling elite—living a 'bling' and elite lifestyle—and a majority of the poor. In Tunisia and Egypt, the middle classes were also starting to feel the pinch of difficult economic circumstances. Generally in these regimes, the middle classes are locked into the system, and often have much to lose in opposing it.

The new wave of religious fundamentalism in Africa, with the rise of extremist groups such as Boko Haram in Nigeria, is fueled by a toxic combination: small elites benefiting fabulously from the new wealth from extractive resources, while at the same time the vast majority of their countrymen and women are getting poorer. Africa urgently needs to make its growth model more inclusive, pro-poor and sustainable.

WHAT DRIVES SOUTH AFRICA's *BRICS*, AFRICA AND FOREIGN STRATEGIES?

Under the presidencies of Nelson Mandela, Thabo Mbeki, and the interim president Kgalema Motlanthe—from 1994 to 2010—the governing African National Congress (ANC) pursued a three-pronged strategy of uniting Africa, building South-South cooperation with other developing countries, while also striking alliances with key industrial powers, such as the US, the EU, Canada, Japan and Australia.

Since the end of apartheid, a core strategy of South Africa's foreign policy has been to position itself as not only a voice for less influential African and developing countries, but also as a leader in forging strategic alliances to advance their common interests in global forums and negotiations.

South Africa's first democratically-elected President, Nelson Mandela, believed that South Africa's foreign and Africa policy should be moralist in outlook. The ANC had received material, moral, financial and logistical support from developed and developing countries in its campaign against colonialism and apartheid—therefore in government the ANC had a moral debt to repay in its relations with the world.[50] Mandela argued South Africa's moral obligations were to promote human rights, peace, democracy and racial and ethnic inclusivity, both at home and abroad. But South Africa, as one of the last African countries to achieved independence, also wanted to bring peace and stability—a precondition for development and growth—in Africa.

The anti-apartheid struggle was a global struggle: by the 1980s it had become one of the most global of solidarity movements, spanning continents through involving developing and industrial countries. Furthermore, Mandela and ANC foreign policy strategists in his government argued that South Africa's diverse population—including large Indian, Jewish, Chinese and Malaysian diasporas, along with a significant Western white minority and dominant black African population—gives the country a uniquely global reach, which could enable it to act as a bridge between the developed and the developing world.

Mandela and Mbeki argued that, following South Africa's independence from apartheid, as a key part of its foreign policy the country had a duty to defend the rights of smaller, vulnerable and poor developing countries—in Africa and elsewhere—against unfair treatment by bigger Western countries. South Africa's victory over apartheid gave South Africa tremendous soft power among both developed and developing countries—which Mandela used extensively, and which appears to be eroding under the weight of poor governance at home and abroad by the Jacob Zuma government.

South Africa has developed its 'soft power' more adroitly than any other developing country of similar size. South Africa under Mandela wanted to take an independent foreign policy—based on fairness—and not one dictated by big powers, as with most African and developing countries. Mandela was also critical of Western nations abusing their domination of global and multilateral organisations for their own selfish ends, rather than for the global good. In his farewell speech to South Africa's parliament, Mandela said: "We see how the powerful countries, all of them so-called democracies, manipulate multilateral bodies to the great disadvantage and suffering of the poorer developing nations."[51]

Mandela struggled with balancing his foreign policy—of making democracy, human rights and social justice trump all—against those within the ANC who argued that SA's commercial interests should be the final arbitrar of foreign policy. Many ANC leaders argued that democratic South Africa should use South Africa's diplomatic celebrity to promote its commercial interests.[52] For example, Mandela as president recognised both mainland China and Taiwan, in spite of pressure from China to ditch Taiwan. Only after heavy pressure from ANC leaders, who argued that SA should ditch Taiwan for commercial reasons, did Mandela agree to drop Taiwan. But Mandela insisted on inviting the Dalai Lama to SA, despite pressure from China and key ANC leaders not do so.

Mandela was also fiercely loyal to old undemocratic allies such as Libya, which had bankrolled the ANC when the UK and US governments would not in the 1980s. This cleaving to old loyalties often undermined his efforts to pursue a moral and democratic foreign policy course.

Under Mandela's successor Thabo Mbeki, South Africa underplayed the emphasis on a moral and democratic foreign policy. There was a shift towards securing South Africa's— and by extension Africa's—collective stability, economic interests and unification. This 'pragmatic' approach has meant tolerating undemocratic African regimes if they bring 'stability', 'economic prosperity' and continental 'unity'. Of course, Africa's recent history has shown that 'stability', 'economic prosperity' and 'unity' cannot be built on undemocratic regimes and leaders.Thabo Mbeki emphasised the restoration of African dignity, pride and self-help during his presidency. He pushed for what he called an "African Renaissance", to promote African-inspired ideas, policies and decisions, and to elevate African history and cultures, following slavery, colonialism and apartheid. Mbeki insisted on "African solutions for Africa's problems", even if they may be wrong, criticizing

World Bank or IMF-type proposals for African countries, and developed country non-governmental organisations' involvement on the continent.

Mbeki, in his opposition to perceived Western 'meddling' in the affairs of African and developing countries, drew criticisms from civil society groups in South Africa and former anti-apartheid activists globally. This was prompted when—during its stint as non-permanent member of the 15-member UN Security Council during the 2006-2007 period—SA controversially shielded Zimbabwe from international sanctions over electoral violence in 2008, deflected action against Burma over its repression of Buddhist monks in 2007, and defended Iran's right to have a nuclear programme.[53]

South Africa's UN Security Council ambassador at the time, Dumisani Khumalo—a close political ally of Mbeki—later said activists had mistakenly criticised South African foreign policy because they "wrongly" believed that South Africa "could use our position to solve all the evils in the world". On the contrary, he claimed, the country's foreign resources were better used to fight the "unequal rules that favour the permanent (industrial powers) members" of the UN Security Council.[54]

Mbeki pushed for the creation of Africa-wide institutions—uniting the continent along EU-like lines—and for putting together a home-grown economic development plan for the continent. Mbeki was the chief architect of the African Union (AU), the continental-body to which most African countries are affiliated. Mbeki proposed a Africa-wide developmental strategy, the New Partnership for Africa's Development (NEPAD), which the AU adopted as its blueprint. NEPAD has now largely disappeared, and the AU has proved ineffective.[55] Whatever one's criticisms of NEPAD—and there are many[56], including that it rewarded African despots and genuine democrats equally, and that it was for all purposes a neoliberal policy, no different from any strategies coming from the World Bank or the IMF—it did focus industrialised nations' attention on Africa as an independent entity in a way never done before.

The raw deal that South Africa felt it got from its mid-1990s trade negotiations with the EU—its first international trade negotiations, despite EU leaders promising to be fair to newly-liberated South Africa—scarred Mandela, Mbeki and the ANC. The EU's 'bullying' of a naïve South Africa during the EU-SA trade negotiations rankled, and was partially responsible for SA determinedly focusing on changing SA's foreign policy emphasis, towards seeking trade with developing countries as alternatives. South Africa under Mbeki set about cobbling together a democratic developing-country lobby, across the three continents of Africa, Asia and Latin America, to fight for global political, economic and trade democracy. An important part of this was attempting to create the largest developing country—or South-South—free trade area, connecting India, Brazil and South Africa.

South Africa was thus also an architect behind IBSA[57] (India, Brazil, and SA) which was launched in 2003. Although the results of IBSA are mixed—for example, the effort to create the developing world's largest free trade area, through linking the 15-country Southern African Development Community (SADC), the Latin American Mercosur (*Mercado Común del Sur*, or Common Market of the South) and India, faced insurmountable obstacles—the partnership itself was an important geopolitical statement.

The rise of China eclipsed IBSA. China, similarly aimed to build a bloc of large developing countries into a strategic alliance to oppose Western global domination in policies, ideas and institutions. Following the formation of BRICS and the slow—but apparent—demise of IBSA, South African policymakers made a strategic decision to join BRICS, as a preferable option to striking out by itself.

There are a number of things about South Africa which will make it difficult for any global developing-country alliance to exclude it.

Those who argue that SA's economy is too small to compete with its BRICS peers are of course correct, if they make the case narrowly in terms of the size of the SA economy.

This was illustrated in 2011 when BRICS considered a Brazilian proposal for members to increase their holdings of euro-dominated bonds to help ease Europe's debt crisis. Under Brazil's proposal, BRICS countries would make billions of dollars in new funds available to the IMF as a way to help ease the crisis in the Eurozone.

South Africa immediately made clear it was not in the same financial position as its BRICS partners who can afford to use their substantial foreign exchange reserves. "South Africa is not part of that market at the moment and it's the big countries, which have $3.2 trillion in reserves. We are Mickey Mouse compared to that and they can afford to look at some of those issues,"[58] then-finance minister Pravin Gordhan said.

However, South Africa did have other kinds of 'soft power' leverage to offer. The one obvious resource is South Africa's power to secure the *political backing* of other emerging economies with the financial resources—to make these available for a Eurozone bailout. Secondly, South African could marshal a co-ordinated approach between the emerging economies on the one hand, and G20 countries on the other, because it has influence in both camps.

Thirdly, South Africa despite its smaller GDP, also has a number of intangible economic assets, compared to many of its emerging market peers. These include its influential private sector and global financial institutions, such as the Johannesburg Stock Exchange.

Combining its private and public sectors, SA Inc. collectively can compete with any of its emerging market peers. The SA economy is also not a stand-alone economy like many of its emerging market peers. The SA economy has been the bedrock of the five-nation Southern African Customs Union—the world's oldest custom union—since it was founded in 1910. The SACU links South Africa's economy tightly with its neighbours, as well as with the 15-nation SADC—an unprecedented interlinking of economies. Furthermore, of any other African economy, South Africa's is the most integrated with its African peers.

Being part of the BRICS therefore, continues a foreign policy tradition spearheaded by former President Mandela, who argued that South Africa's should and must punch above its relative economic weight in global affairs, because of its globally huge political, moral and 'soft' power.

Some commentators, such as Jim O'Neill, the now-retired Goldman Sachs executive, who first coined the term BRIC,[59] question whether South Africa should be a member of BRICS. They argue that the small size of South Africa's economy, its sluggish growth and its smaller population compared to the other BRICS countries, should disqualify it from membership.

However, the BRICS alliance is not simply a geopolitical, trade or economic one—it is a strategic and tactical alliance, based on the members—jointly and individually—securing their best interests. Meanwhile, as part of its efforts to unite Africa, South Africa has embarked on a strategy to build an African-wide free trade area, stretching from Cape Town to Cairo. In June 2011, African leaders unveiled plans to create such a free trade area, when they announced that 26 African nations will join the three existing, but often overlapping, regional trade blocs.[60]

They aim to create duty- and quota-free movements of goods, services and business people by 2016, and an Africa-wide economic and monetary area by 2025. During the first phase of the trade agreement, priority will be given to trade in goods. Negotiations will then focus on concluding a deal on competition policy, intellectual property rights and trade in services.[61] Once the authorisation of a free trade agreement has been signed, a protocol on the free movement of business within the three blocs will come into effect.[62]

Many African economies are so small that they are often unviable on their own. For example, more than 40 per cent of Africans live in countries[63] with no access to the sea.[64] Pooling African economies will bring larger economies of scale and markets, thus creating the potential to expand both production and demand. That project, admittedly ambitious, is moving at snail's pace.

SOUTH AFRICA's FOREIGN POLICY UNDER ZUMA

President Jacob Zuma, who took over from Mbeki as ANC and South African president, has broadly continued on the trajectory set by the Mandela and Mbeki foreign policy frameworks. President Zuma has argued that within the overall foreign policy framework set out by Mandela and Mbeki, his foreign policy is based on four pillars.[65] These are promoting an "African agenda", South-South co-operation and North-South dialogue, multilateral and economic diplomacy, and bilateral relations with individual countries.[66] Zuma said South Africa's foreign policy in key regions of the world including Africa, Asia and Europe was built on the basis of an "open society, in which government is based on the will of the people".[67]

Zuma said South Africa was committed to "the transformation of the global system of governance from a power-based to a rules-based system in a just and equitable global order".[68] Zuma said multilateralism—addressing international issues through international organisations like the UN, rather than through individual nations—was a key foreign policy platform for South Africa.

However, in practice foreign policies under Zuma have not even tried pretending to pursue a moral and democratic course. Zuma has emphasised South Africa's 'commercial interests' in Africa and the world, continued with the 'African solutions for Africa's problems' strategy, and de-emphasised the Mandela strategy of focusing on promoting human rights, social justice and democracy abroad.

Zuma appears to have actively moved away from the Mandela and Mbeki foreign policy strategy of combining a North-South dialogue approach with South-South collaboration, towards a solely South-South approach, linking the country very strongly with the BRICS alliance and Africa. At Zuma's May 2014 inauguration for his second term as president, there were only African heads of state present, in contrast to the more global invitation lists of Mandela and Mbeki.

Zuma has allied SA increasingly with undemocratic regimes in Africa and in the rest of the developing world. South Africa delayed issuing a visa to the Dalai Lama when he was invited by Archbishop Desmond Tutu to celebrate the latter's birthday in 2011, in order not to alienate China. This decision so outraged Tutu, who is often seen as South Africa's conscience, that he fulminated: "We will pray, as we prayed for downfall of [the] apartheid government, we will pray for [the] downfall of a government that misrepresents us."[69]

SA was deliberately absent during a UN Security Council vote on the situation in Syria. The draft UN Security Council resolution had condemned the Syrian authorities for their violent suppression of pro-democracy protesters and called for an immediate end to human rights abuses. Asked later why South Africa had abstained from voting on Syria, Zuma said he was concerned that recent Security Council resolutions had been abused by Western powers, and their implementation was being taken far beyond the mandate of what was intended.[70] Zuma said he feared the UN resolution was "part of a hidden agenda" by the West to pursue regime change in Syria and linked the Syrian vote to the UN vote on Libya, which he claimed had been "abused" by the West to pursue military action to topple Muammar Gaddafi. The African Union had proposed a peaceful resolution to the Libyan crisis, which the AU also felt should have been resolved by Africans.[71]

Zuma has, while pursuing South Africa's supposedly 'commercial interests' in foreign policy, frequently been accused of concerning himself with personal aggrandisement, along with enriching his family and political allies. When South Africa sent troops to Central African Republic (CAR) in 2013, ostensibly to help restore order, the president was accused of using these troops to defend the commercial interests of his ANC allies.[72]

WHAT ARE THE MAIN INTERESTS BEHIND SOUTH AFRICA's *BRICS* STRATEGY UNDER PRESIDENT ZUMA?

The South African government's BRICS strategy has received a mixed reaction within the country, with differences over the strategy both within the governing ANC alliance, and outside it. The ANC has been in a formal alliance with the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP) since 1994. Both Cosatu and the SACP supported the 2007 election of Zuma as leader of the ANC against former president Mbeki. Under Zuma, the core approach to BRICS remains one of BRICS members being key geopolitical allies for South Africa in lobbying for the restructuring of the global trade, economic and political architecture to give Africa and developing countries a fairer say in relation to their Western counterparts.

Technocrats—within the ANC's centre-left, and especially senior officials in the country's departments of National Treasury, Department of Trade and Industry (DTI), and Department of Economic Development—have since the 2007/2008 global and Eurozone financial crises, argued South Africa should use the BRICS alliance to secure new markets for the country's products, and for new investors in South Africa. Europe is still South Africa's largest market for its products, notwithstanding the slowdown they are experiencing.

South Africa's then-finance minister Pravin Gordhan said South Africa's 'safeguard' to overcome the Eurozone impact on its economy is to diversify its trading quickly towards the BRICS countries and to upscale its trade with the rest of Africa.[73]

Some ANC leaders—particularly those from the SACP and sections of the African nationalist wing of the alliance—want SA to speed up its engagement with the BRICS countries as an alternative to Western investors and governments. The latter demand 'market friendly' structural adjustment policies, such as cutting welfare and subsidies to the poor, freezing wages and pushing raw material exports, rather than value-added ones. "Western investors have to realise South Africa does not need their money since it can turn increasingly to fellow BRICS members India and China to fund its economic development,"[74] according to ANC secretary general Gwede Mantashe, who is also the former SACP national chairman.

However, one section of the African nationalist wing of the party opposes the country's BRICS strategy. "If we let [China and India] enter Africa on their own(...) We may find it is not only our minerals that are dominated by foreigners, but also our infrastructure,"[75] suggests Malusi Gigaba, the home affairs minister, and also a leading figure in the African nationalist wing of the ANC. The populist wing of the ANC—particularly the former leader of the ANC Youth League, Julius Malema—opposed the BRICS strategy, particularly the idea that SA should embrace China as a strategic trade partner. Malema told a South African Union of Jewish Students dinner in 2013 that China "use us [South Africa] to get into Africa, take mineral resources raw as they are".[76] Malema and a large group of the populists and youth wing of the ANC broke away in 2012 and formed their own party, the Economic Freedom Fighters (EFF), in opposition to the leadership of ANC President Jacob Zuma.

Some ANC groups—whether African nationalists, communists or populists—admire the Chinese economic model of 'development without democracy', and Russia under Vladimir Putin's allegedly 'benign' authoritarian style, as well as opposing Western intervention in South Africa and other developing countries. They are keen on South Africa and other African countries replicating these models to spur development. They also argue that BRICS countries are unfairly being put under pressure by the West and civil society groups to lower their 'ecological footprint', saying Western countries did not have to do so in their development quests.

Some executives in state-owned companies, such as Brian Dames (former CEO of the energy utility Eskom) have also rejected civil society criticisms of BRICS countries' energy-intensive growth as Western hypocrisy, since Western economies had also developed along these lines. South Africa's economy is based on a coal-driven economic development model. Dames has said: "We've been very successful in the use of coal in growing one of the largest economies, in bringing electricity to the majority of South Africans—we're absolutely not defensive about it".[77]

South Africa's key long-term strategy, its National Development Plan (NDP), says "a low-carbon future is the only realistic option, as the world needs to cut emissions per unit of output by a factor of about eight in the next 40 years".[78] However, the NDP only makes provision for 9 per cent of the country's energy to be provided by renewables by 2030. The NDP warned that "South Africa's quest for a lower carbon-emitting power sector needs to be balanced against the potentially higher costs(...)that come with new and renewable energy."[79]

An influential group within the ANC—spanning both the left and left-of-centre—argue that it is better that South Africa aligned itself solely with India and Brazil, two fellow developing democracies.

This grouping of social democrats, democratic socialists, ANC-aligned civil society and trade unions, argue that South Africa's foreign policy should be based on positioning the country as a moral power, and a developing-country democracy—promoting democracy both in Africa and globally—in the way that the late Nelson Mandela tried to do.

South Africa's influential (mainly-white) liberal opposition and (mainly- white) business groupings are also divided on the country's BRICS strategy.

Sections of South African business community—especially the country's multinational companies, such as the mining and energy companies (like Sasol and AngloAmerican), the large financial services firms (such as Standard Bank and Old Mutual), and others (such as Sappi, Naspers, and SABMiller) which since the end of apartheid have successfully expanded to emerging markets—strongly support the current BRICS strategy. For example, Kuseni Dlamini, the former CEO of the Old Mutual group said that the country's BRICS partnership could "propel South African companies into global greatness".[80] Jerry Vilikazi, of Business Unity South Africa (BUSA)—the umbrella organization for big business—says that South Africa could serve as the "beachhead" for its BRICS partners into a growing Africa. This is a recurring trope, evident again at the May 2013 World Economic Forum on Africa meeting in Cape Town in which the theme was "Delivering on Africa's Promise".

Black business interests are also supportive of the BRICS strategy. The ANC government has a pursued a policy of black economic empowerment (BEE) to create black business tycoons. Most of the BEE deals since 1994 have taken place in mining. Since most blacks lack finance, these deals have been financed by mining companies lending would-be black buyers—chosen most of the time for their closeness to the ANC leadership—the money to purchase the stakes. However, almost all these deals have unravelled as the black part-owners could never finance the debts through dividend payments.

Many of these black-owned companies are hoping BRICS-based companies will buy them out. Recently BRICS companies—especially Chinese companies—have been active buyers of BEE shares in mining companies in SA. A typical such transaction was the December 2011 deal in which the China Investment Corporation bought a 25 per cent shareholding, for R2 billion ($240m), in the black-owned Shanduka Group, which is chaired by Cyril Ramaphosa, the former ANC general secretary.

South Africa's powerful state-owned companies, such as Transnet (railways and harbours), Eskom (electricity), Development Bank of Southern Africa (DBSA) are also supportive of the BRICS strategy, as they see these countries as sources of development finance, technology transfers and project partners in South Africa and Africa.

Other business elites oppose the idea that South Africa should forge closer partnerships with BRICS countries outright, arguing that South Africa's strategic alliances should remain focused on the industrial West: Europe—currently SA's largest export market, North America and Australasia.

Lindiwe Mazibuko, the first black parliamentary leader of the Democratic Alliance—the official opposition party—says SA should "prioritise Africa, the fast-growing market in the world"[81], rather than BRICS. Mazibuko said: "The paradox is that Brazil, India and Russia are benefiting far more from investment opportunities and trade with the rest of than Africa than we are."[82]

South Africa's manufacturing companies are also strongly opposed to the country's BRICS strategy. BRICS imports are hurting all the manufacturing sectors South Africa identified as key job-creating sectors when it launched (April 2010) the Industrial Policy Action Plan (IPAP), the country's centerpiece strategy to industrialise and create jobs.[83]

A University of East Anglia study[84] has shown that SA's manufacturing sector shed over 350 000 jobs since 1990, mostly because of competition by BRICS countries, mostly China. The manufacturing sectors identified in the IPAP include automotives and components, medium and heavy vehicles, plastics, pharmaceuticals and chemicals, clothing, textiles, footwear and leather, biofuels, forestry, paper and pulp and furniture as well as business-process outsourcing. Revitalizing manufacturing is at the heart of South Africa's overall attempt to create five million jobs by 2020. The IPAP strategy envisaged ramping up the country's manufacturing capacity and creating 2.47 million jobs within a decade.

A cornerstone of the IPAP plan is "ensuring that South Africa's trade policies are being used more strategically".[85] South Africa's manufacturing sectors faces a steep challenge from lower administrative prices in BRICS countries, compared to SA.[86] Iraj Abedian, in a research report for the Manufacturing Circle, the association of South Africa's large manufacturers, says SA must take "urgent" steps to reverse the decline in the manufacturing sector, saying "if we let our manufacturing go, our economy will go only one way".[87]

South Africa's trade unions, especially Cosatu, have been strongly critical of the BRICS alliance. Cosatu general secretary Zwelinzima Vavi, at the 2013 BRICS summit in Durban, rightly complained that trade unions and broader civil society were excluded from BRICS decision-making, although business was "inside".[88] Vavi also warned that the new BRICS bank must pursue "a fundamentally different model" to the World Bank and IMF, and prioritise the developmental interests and needs of the poor, "not the selfish narrow interests of a few rich shareholders".[89]

SOUTH AFRICA IN *BRICS*—THE OPPORTUNITIES

To reiterate an earlier point, the BRICS partnership offers key geopolitical allies for South Africa in lobbying for the restructuring of the global trade, economic and political architecture to give developing countries a fairer say in relation to their Western counterparts. BRICS members are all developing countries with enormous developmental and growth potential and untapped markets. The "dissimilar nature of BRICS member country economies and their differences in specialisation and competitive strengths present synergistic trade, technology transfer, social innovation and investment exchange opportunities"[90] among its members.

BRICS offers the potential for the transfer—among not only its members, but also to other developing countries—of new ideas on social development, sustainable technologies, and institutional innovation. For members, BRICS may offer opportunities for "mutual discovery", learning and more sustainable knowledge sharing—as distinct from the traditional 'developed to developing' country technical assistance process.[91]

The post-Cold War Western-led global order, assumptions and consensus are in a profound crisis of credibility. BRICS may be able to offer new ideas, direction and global leadership to developing countries.

The BRICS partnership also offers participating countries the space to constructively resolve disputes, be they trade-related, political or diplomatic. BRICS could, for example, be the arena for China and India to resolve the dispute over Arunachal Pradesh, the northeastern state of India, which China describes as "Southern Tibet".[92]

SA's new-look BRICS strategy aims to secure new markets for South Africa's products, and new investors at a time when its largest market, Europe, is undergoing economic difficulties. South Africa's share of trade with BRICS countries in 2012 stood at 18 percent, up from 10 percent in 2005 against declines in trade with the country's traditional markets of Japan, the European Union and the United States.[93]

Given the smaller economic size of SA compared to its larger BRICS partners, South Africa may be forced by the competition to begin to 'trade smarter', and use the capacity of all its talents—whether in the private, public or civil sector—in ways it has not done so far.

SOUTH AFRICA's *BRICS* CHALLENGES

Every BRICS country is in the alliance to hard-headedly advance its strategic economic, trade and geopolitical interests. South Africa will only benefit from its membership if it drives a hard bargain to defend its economic interests, trade intelligently and build clever issue-based tactical alliances with individual member countries.

The challenge for South Africa is that BRICS may erode South Africa's domestic economy, because many products from BRICS countries directly compete with those of South Africa, unless it negotiates adroitly. BRICS and industrialised countries are all targeting Africa's resources, which poses a direct threat to South Africa's economy. The growing Africa offers South Africa, based at the Southern tip of the continent, with the most advanced economy and its industrial and manufacturing sectors a once in a generation opportunity to piggy-back on Africa's growth to lift its own economy. Growing African countries need stoves, fridges and trains—which South Africa produces.

Ideally, a growing South African economy could copy the example of Japan whose economic rise after 1945 lifted East Asia with it. However, structural obstacles, poor economic and political policies, and lack of imagination in leadership have put paid to that route of growth for South Africa. However, the alternative—South Africa leveraging a growing Africa to lift its own growth levels—is a real option. South Africa's unemployed are mostly black and low-skilled and young. A growing manufacturing sector could soak up these unemployed. South Africa's manufacturing sector is ailing. Former manufacturing areas such as the East Rand are now virtually ghost towns.

Any inroads old industrial powers and emerging powers make into Africa may undermine South Africa's efforts. Other BRICS countries are already exporting manufacturing goods to Africa, including the inputs to Africa's planned infrastructure programmes such as railways, supposedly SA's strategic advantage. This is hurting the manufacturing sectors South Africa identified as key to job creation in its 2010 Industrial Policy Action Plan (IPAP).

Revitalising manufacturing—and boosting these exports to Africa—is at the heart of South Africa's attempt to create five million jobs by 2020. Vast new mineral, gas and oil deposits are being identified across Africa, and South Africa is uniquely positioned to provide the skills, finance and experience to exploit these. This is due to its own extensive mining industry—with its associated specialised manufacturing base—which is acknowledged as the world leader in deep-level mining in complex terrains. Being in Africa as it is, South Africa should have a competitive advantage over BRICS countries or the West, as it knows the continent better. It also has a large population of African immigrants—from Nigerians, Congolese and Zimbabweans to Somalis and Rwandans—whose talents could be mobilised as a competitive advantage in its trade and its negotiations with the rest of Africa and BRICS.

While the SA's manufacturing sector is coming out of a deep crisis—with some sectors in decline, others having migrated to industrial countries taking their research, development and innovation capacity with them—the manufacturing sectors of most of the country's BRICS partners are buoyant.

Many South African manufacturers say that while products from BRICS enter South African markets relatively easily, high tariff barriers make it difficult for South Africans products to enter BRICS markets. Nomaxabiso Majokweni, of the umbrella business organization BUSA, summed up what SA needed from the BRICS countries when she said "The balancing act is to ease business transactions while protecting the interests of industry and manufacturing. We are not seeking preferential or free trade agreements. Rather, we should be driving for more transparency from our partners, especially on tariff schedules and hidden internal taxes."[94]

China is aggressively promoting the use of the yuan for international trade and lending with its developing country partners, particularly in Africa, rather than using the US dollar. Standard Bank of South Africa predicts that China's yuan will replace the US dollar as the main currency to finance trade between China and African countries sooner than expected. Standard Bank predicted that by 2015 up to 40 per cent (or $100 billion) of China's trade with Africa will denominated in yuan.[95]

The South African rand is the accepted currency in many African countries. The real danger is that the Chinese yuan will replace the rand in Africa. By localizing the yuan in Africa, China will not only be able to reduce the currency risks inherent in many unstable African currencies, it may also be able to circumvent non-tariff barriers in Africa. Successfully localising the yuan in Africa will also speed up Chinese lending to Africa and free Chinese cash to finance the selling of Chinese manufacturers and infrastructure inputs to Africa.

AFRICA WILL NEED TO LEARN THE LESSONS OF *BRICS* COUNTRIES' POLITICAL AND DEVELOPMENTAL MODELS

Many African countries found the BRICS countries' developmental and political models alluring. China's model, and to a lesser extent Russia's developmental model of development without democracy is very appealing to many African leaders and governing parties.

All the BRICS are high-carbon consumption economies. BRICS members have said they are unfairly targeted to reduce their carbon emissions, arguing that industrial countries should not only do the same, but were trying to stymie their growth. India's new government, elected in May 2014, in its first statement on climate change stated that it is inevitable that India's net carbon emissions would rise, as it pushes for higher growth to deal with poverty.

India and China have been reluctant to agree to globally binding reduction of carbon emissions, beyond agreeing to reduce their emissions. The BRICS stances have emboldened many African countries with extractive industries, who grumbled about having to transform their economies to low-carbon ones.

South Africa has a particularly responsibility to provide leadership in Africa to forge a developmental path that is ecologically sustainable, rather than argue that because developed countries have developed on the basis of high carbon emissions, African and developing countries should be allowed to follow suit.

African governments and civil society must insist that trade pacts with BRICS members such as China and Russia include clauses committing them to respect minimum labour, human rights and environmental standards.

China's political model of one dominant political party quashing dissent is inspiring quite a number of African leaders, just at the moment when the continent is seeing a proliferation of opposition parties, a mushrooming of new indigenous African civil movements and greater demands from the citizenry for accountability from leaders.

Many of Africa's authoritarian rulers, like Zimbabwe's ruler, Robert Mugabe, for example, have been given a new lease on life partially because of Chinese support. Of course, African autocrats—who routinely round-up and imprison quite legitimate local democracy critics as 'terrorists'—have also been helped along quite nicely by the US 'war on terror'. Most of Africa's longest serving leaders—in Togo, Gabon, Equatorial Guinea, Angola, Cameroon, Mauritania, Guinea, Uganda or Swaziland—either have oil, or are partners in the US anti-terror campaign (or in the case of Zimbabwe, have a crucial commodity such as platinum).

CAN THE ENVISAGED *BRICS* PLAN DELIVER FOR AFRICA?

Africa desperately needs reliable and cheaper long-term development finance, which does not go with the restrictive World Bank and IMF conditions.

Only 42 per cent of Africa's population has access to modern energy. Almost 600 million people in Africa have no access to electricity.[96] To meet its growth demands, Africa will have to add 250GW of capacity between now and 2030.[97] Finance for infrastructure is often difficult to secure for African countries. With the financial difficulties in the aftermath of the global financial crisis in which many industrial economies in Western Europe and North America find themselves, traditional sources of funding may also dry up for Africa.

The reality is that Africans need partners, to help finance infrastructure projects that they (Africans) have identified for their long-term industrial needs, and not vanity projects such as roads to parliaments which the Chinese have identified.

BRICS countries are expected to sign a treaty to launch a BRICS bank in 2014. A BRICS development bank, dominated by China, and Chinese finance, could accelerate this process of marginalising SA in Africa.

South Africa has been lobbying to have the new BRICS development bank based in Johannesburg to essentially serve as an African infrastructure bank. "Africa feels the bank should be established here, particularly because the greater need for the bank is on the continent of Africa," South African President Jacob Zuma told delegates at the World Economic Forum on Africa, in Cape Town in 2013.[98]

However, South Africa's argument that a BRICS bank should be an African-based one was simply too narrow. Countries such as China and India see a BRICS bank as a global bank, competing with the World Bank and IMF, rather than a specifically Africa-focused one. For example, India has argued for a BRICS development bank to use budget surpluses from BRICS countries and invest it in other developing countries, not necessarily Africa alone.

Ironically, there is also a real threat to SA from the creation of a BRICS development bank. China has been increasing its contributions to African state-owned development finance institutions, including the African Development Bank, the current continental DFI which is jointly- owned between African, industrial and emerging economies.

Individually, compared to those of its BRICS partners, South Africa's development finance institutions are too small, unfocused and poorly integrated into broader industrial and development policy. If South Africa's small state-owned finance institutions partner with its private financial and commercial institutions such as Nedbank, Standard Bank or First National Bank, they would easily compete as the combined balance sheets, expertise and funding for development, commerce and projects would be formidable.

The ideal situation for SA would be to lead the creation of a super African development bank, by merging some of SA's larger state-owned development finance institutions, such as the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC) and the Land Bank, into a new giant Africa-wide Development Finance Institution (DFI). DFI's of other African countries could then also be merged into such a super African DFI, and equity could then be offered to other African countries. Such an entity could then partner with other finance institutions and private companies on specific African infrastructure projects—led by Africans.

Of course, there is no guarantee that such a super African institution would not mimic the worst failures of current SA state-owned companies: appallingly poor governance, and wasted resources and talent owing to patronage.[99] South Africa's biggest competitive advantage, compared to other BRICS economies and emerging markets, is that it has a sophisticated private sector. It is important that South Africa forges a partnership between government, business, labour, civil society sectors and communities to come up with inclusive development strategies with industrial, emerging market and BRICS partners.

The African Development Bank, the current continental development bank, although started in 1964 by African countries, is now dominated by foreign shareholders, including the US, Canada, Japan, several EU countries, as well China.[100] These non-African shareholders dominate investment strategies, lending and development priorities. The African Development Bank (AfDB), because of its foreign shareholders, naturally must deliver a return to its non-African industrial and emerging powers shareholders.

There is hope that the envisaged BRICS-inspired development bank will be more developmentally-oriented than the World Bank, IMF or Western or Eastern development banks. As Cosatu general secretary Zwelinzima Vavi rightly warned, a BRICS bank will have to prioritise the needs of the poor. The BRICS development bank could potentially provide the finance for development and infrastructure Africa so desperately needs. Yet there is no guarantee that a BRICS bank would not attach conditions as onerous as those of the World Bank or other development banks, or would prioritise the development and infrastructure policies important to African economies, rather than BRICS economies. Most individual current BRICS development banks, such as BNDES, the Brazilian development bank, lend at market rates to African countries.

Crucially, the BRICS bank will have to be based on good corporate governance. It must pursue lending that is economically and ecologically sustainable, promoting inclusive, sustainable economic growth and development.

AFRICA NEEDS TO NEGOTIATE BETTER TRADE TERMS WITH *BRICS* PARTNERS

The formation of the BRICS grouping offers a potential economic windfall to Africa. But unless African countries engage more shrewdly with these new emerging powers, they may also undermine the continent's long-term prosperity. Looking to the future, African countries may have the opportunity to negotiate better development aid terms from BRICS countries. However, to benefit from the rise of BRICS, African countries will have to make some structural changes: they must be more pro-active, clearly identify their priorities and be more hard-nosed in their negotiations with BRICS.

Most African countries have trade agreements with industrial powers that undermine their development. The Economic Partnership Agreements (EPAs) with former African, Caribbean and Pacific colonies proposed by the EU provide one such example.[101] The EU's EPAs threaten African farmers and fledgling industries, by allowing subsidised EU products and services to enter African markets without any duties. This clearly undermines African attempts to build up local manufacturing capacities. Ignacio Ramonet, former editor of French newspaper *Le Monde diplomatique*, describes the EPA as the "latest manifestation of the colonial pact".[102]

But Africa's trade deals with BRICS are often also skewed in favour of BRICS countries. This prompted Angolan President Jose Eduardo dos Santos ahead of Chinese Premier Li Keqiang's trip to Africa in May 2014, to call on the Chinese government to enact agreements that provide "mutually beneficial partnerships with Angolan businesses".[103]

AFRICA NEEDS BETTER QUALITY ECONOMIC POLICIES TO BENEFIT FROM *BRICS*

The emergence of powerful BRICS developing countries have helped open up the policy space for African countries to come up with independent economic policies. However, Africa now needs better economic policies that "[achieve] the policy objectives of development and poverty reduction".[104]

The bulk of Africa's economy is in the informal sector or second economy, and this is where most of the jobs are being created. Excluding South Africa, informal trade provides between 20 per cent and 75 per cent of all jobs in Africa;[105] and between 60 per cent and 70 per cent of African families are sustained by informal trade. In sub-Saharan Africa, 60 per cent of those working in the informal sector are women, and the non-agricultural informal sector creates employment for 91.5 per cent of women.[106] It is therefore extremely surprising that the African informal sector is rarely brought in as a partner with government and civil society in development planning. Instead African states have allowed cheap Chinese products—highly subsidised in China—to flood their markets. This means that the potential for African countries to use the existing indigenous informal sector to build informal businesses into medium-sized and then larger businesses is lost.

Linked to an industrial and informal sector strategy should be an emphasis on mass vocational, technical or trade training for the young and the unemployed, linked to community vocational training centres situated in the areas of infrastructure and economic development.

In most African countries, agriculture remains the largest sector in which people eke out a living in the informal sector. It should be obvious that African countries must put their efforts into supporting people to at least produce food for themselves and carry out the basic 'light' manufacturing of products without having to import these from abroad. However, African countries are now allowing new emerging economies, such as China and South Korea, to buy land to produce agriculture for export back to these countries, doing nothing to protect peoples' food security.

In Africa, infrastructure development has rarely been integrated into broader economic development, often taking place on a standalone and ad hoc basis. Successful infrastructure development goes beyond building transportation routes, for example. It should be seen as a tool for long-term economic investment integral to a country's industrialisation and, to be effective, must be linked to "other regional economic stimulus measures [to] complement the infrastructure investment and generate synergistic effects".[107]

African infrastructure investments should focus on boosting the economically depressed and underdeveloped regions, either linking them to growth areas or turning them into growth areas with a view to becoming future markets for goods and services. However, too many infrastructure projects are wasted on elite or vanity projects—such as new parliamentary buildings and so on, rather than as a tool to reduce poverty. In many cases investments are made without planning and as isolated projects, dependent on who finances it and their particular interests.

Right now it appears that new investments into Africa—such as those from China, India and Brazil—are determining Africa's infrastructure and economic development. African roads and ports developed or built by China for example, are often constructed in such a way that it makes it easy for China to export or import products to or from Africa, rather than integrated into the infrastructure of the host African country.

Yet African countries should be pro-actively deciding where development should place, what should be developed and how the development should take place, and then partnering foreign investment to these home-grown targeted development initiatives. Otherwise the new investment from emerging markets will mimic Africa's colonial or Cold War investments and aid-driven economic patterns, which brought economic growth with little industrialisation, broad-based development and few human development opportunities.

Infrastructure development should be done smartly, as in post-war east Asia and western Europe—targeting stagnant areas, developing new markets, and cutting high transport costs which hamper the development of most African economies.

AFRICA MUST DIVERSIFY GROWTH AND ADD VALUE TO CURRENT EXPORTS

A core requirement for Africa, if the continent wants to achieve a higher quality, more equitable growth, is for countries to add value to raw materials and to diversify into manufacturing and services. This will create more jobs for Africans, and result in more equitable and sustainable growth rates for African economies. Africa has been prevented from doing this since the end of colonialism and the Cold War by industrial nations which have erected high trade barriers to such products coming from Africa. Yet BRICS nations have similar high tariffs for Africa's manufactured goods.

Africans continue to export cheap raw materials to BRICS, while BRICS countries export manufactured and value-added products. The latter create jobs and are more valued, yet ironically are made from the cheap African raw materials and exported back to Africa as a more expensive finished product. Some of the BRICS, such as China, are even transplanting their manufactured goods from their home base to Africa.

The former governor of Nigeria's central bank, Lamido Sanusi, has accused China and other BRICS countries of being "a significant contributor to Africa's de-industrialisation and underdevelopment".[108] Sanusi argues the influx of cheap manufactured goods from BRICS countries prevents Africans from adding value to their natural resources.

Africans must insist on BRICS countries helping them to produce value-added products and opening their markets to such value-added African products. Sadly though, the general pattern appears to be one of other BRICS countries deciding what and where they invest in a particular African country, mimicking historical investment patterns.

A recent report on Africa's growth patterns show there is a small glimmer of hope in that investors are now increasingly—albeit gradually—diversifying in Africa from the traditional commodities. The report—by Ernst&Young[109]—pointed out that mining and energy are no longer in the top ten African investor destinations. Investment in other sectors, such as technology, media and telecoms; retail and consumer products; and financial services are rising. Furthermore, infrastructure-related investments—so crucial for more jobs—are also increasing. However, the development of these new sectors has not yielded enough jobs, or substantially reduced inequality or poverty.

A core and necessary structural change that African countries will have to make is in the pooling of their markets. Furthermore, this may provide a protective wall for African countries to transform their economies from being single-commodity based to value-added ones that support new manufacturing and services industries. Africans need to trade with each other more. Currently African countries trade more with the rest of the world—mostly former colonial powers—than with each other. According to World Bank figures, trade between countries in sub-Saharan Africa accounts for 10 per cent of total African trade.[110]

One of the most important continental reforms currently pursued by African countries is the attempt to create an Africa-wide trade bloc in the coming years. African countries have formally launched negotiations to establish a grand trade bloc by pulling together three regional economic communities, namely the Common Market for East and Southern Africa, the East African Community and the Southern African Development Community.

African countries could pool their mining and oil extractive industries—in similar ways that countries in the EU integrated their steel and coal industries—and build regional economies on the beneficiation of these primary products. At the heart of this African regional integration project must be a continental industrialisation plan: such a plan will identify viable future industries in which different African countries specialise in and then trade—or even barter—with each other, one country providing what the other country needs but is not capable of producing.

This will require each African country to draft its own industrial policy which feeds into a regional industrial policy. The big idea should be to link the supply chains within the regions and across the whole continent. Developing such regional supply chains for products will also help African economies against global shocks, such as the current debt crises in the Eurozone and the US. BRICS countries must show their commitment to Africa by partnering with Africa's own industrialisation plans.

While African products and services may perhaps be uncompetitive for a range of reasons in industrialised markets, African countries can certainly trade these products with each other. To do this, however, they would need to bring down the costs of infrastructure, and reduce red tape and corruption. Key national and regional economic, political and social institutions must also be reformed. The lesson so far from past and current attempts at regional or continental integration in Africa is that unless such efforts are supported by well-defined, capable institutions,[111]—run by competent leaders—such efforts will come up short.

A number of scholars[112] have stressed how the "quality of institutions 'trumps' everything else" in promoting economic development. An IMF study,[113] for example, found that improving the institutional capacity of sub-Saharan African economies from their current state to the mean of those in Asian developing countries would boost sub-Saharan Africa's per capita income by 75 per cent.[114]

BRICS ARE FACING SLOWDOWNS–WHICH MAY UNDERMINE AFRICA's GROWTH

The appetite of BRICS and other emerging markets for African commodities has been among the key drivers of African growth for the past decade. Since the beginning of 2014, many emerging markets have faced economic headwinds. One key trigger for the BRICS and other emerging market economic problems has been the US Federal Reserve's decision to reduce its monetary stimulus, without consultation. Given the pre-eminence of the US economy globally, this has affected both industrialised and emerging economies.

The other trigger for the recent emerging market economic problems has been slowing Chinese economic growth. China's National Bureau of Statistics (NBS) reported in mid-January 2014 that China's economy in 2013 registered growth of 7.7 per cent, which is the same as in 2012, representing the slowest rate of growth in more than a decade.[115]

Brazil is experiencing political upheaval, with many ordinary citizens feeling they are not seeing the benefits of growth, and questioning the expenditures on hosting the 2014 FIFA World Cup and the 2016 Olympic Games, rather than spending the money on local development and poverty-reduction.[116]

ROLE OF CIVIL SOCIETY IN PROMOTING INCLUSIVE AFRICAN GROWTH, ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND QUALITY DEMOCRACIES

One of the crucial ingredients for African countries to transition from low-quality growth, development and democracy, is a robust African civil society. There are several ways in which African civil society groups can play a role. They can contribute to democratising the discourse on BRICS. They can be vehicles for participatory democracy[117] and can create a 'civic' dialogue on the appropriateness of priorities and policies. Civil society can also play a monitoring role, providing "a structured channel for feedback, criticism and protest"; and can act as an 'early warning system' when the direction of BRICS engagement with Africa appears to be going astray.[118]

The developmental solution for African countries is the forming of social pacts between national governments, organised business, labour and community groups, to help co-govern and provide skills that the state institutions lack. Such social pacts could be replicated at the regional and continental level. Given Africa's lack of capacity, the idea of government co-governing with civil groups is a real solution for bringing in new ideas and capacity to the governing process.

However, to play such a developmental role, African civil society will have to become more innovative, relevant and engaged with their societies. There is often a disconnect between African civil society groups and grassroots communities. African organised civil society groups are often middle-class orientated, while Africa's population is overwhelmingly poor, peasant and rural. Furthermore, there is a fractured collaboration between different kinds of African civil society groups–trade unions, professional organisations and community-based organizations.

The development of an interconnected continent-wide African civil society movement is absolutely crucial. There are few strategic alliances between civil society groups within and between African countries. There are also few strategic alliances between civil society groups in Africa, the developed world and in the new emerging economies, such as BRICS.

Many African civil society groups are collapsing or facing collapse due to a decrease in developed country funding. The programmes of African civil society groups are often determined by developed country funding priorities—which is disconnected from African communities' own priorities and needs—and discredits African civil societies. African civil society groups are also increasingly being displaced by well-resourced Western NGOs and family foundations now operating in African countries as 'African' organisations.

African civil society groups themselves are often not transparent, participatory or inclusive and have in some cases become part of the 'new' elite.

CONCLUSION

The world is undergoing structural transformations in a way not seen in generations. These are dramatically altering global power in general, the power relations between developed and developing countries, and power relations within countries themselves. The post-Cold War consensus forged after the fall of the Berlin wall in 1989, where Western countries provided the global leadership in politics, economics, ideas and innovation, is now being eroded.

The slowdown in the US economy and the debt crisis in Europe caused by the global financial crisis started in 2008. The simultaneous economic rise of BRICS countries has the potential to remake the world and to refashion existing unequal global power relations between developed countries and developing countries—traditionally skewed in favour of developed countries.

The crisis in many leading Western powers is not confined to their economies alone; there are widespread crises of leadership and a poverty of ideas. Many of the democratic institutions are either vulnerable, under siege or losing domestic credibility. In the past these Western institutions were seen as benchmarks for developing countries to emulate. Yet now, the moral authority of leading Western countries and leaders is rapidly eroding. In many 'model' Western democracies, human rights and individual liberties are under threat.

Moreover global institutions of governance—such as the World Bank, International Monetary Fund (IMF), and the United Nations—also face crises of credibility. These global institutions are seen as biased towards Western countries at the expense of developing countries, and their policy precepts are perceived to a large extent to have failed. The World Bank and IMF have not only failed in their interventions in developing countries, they have mostly mishandled recent global crises, including failing to resolve the global financial and Eurozone crises.

These latter crises have also turned economic convention upside down, and the dominant Anglo-Saxon version of capitalist consensus that has held sway in the West in the post-Cold War era is now being critically re-examined. Western countries are bailing out commercial banks with state money, supporting strategic industries that are failing with public money, and building higher trade walls to protect their industries.

These crises have prompted old industrial powers to re-enter Africa to secure resources to reboot their own flailing economies at the same time as BRICS countries and other emerging powers dramatically enter Africa, seeking resources to keep on growing.

Although BRICS countries are fast growing in influence, they do not yet have the collective institutions, ideas or economic power to replace the old industrial powers. Most of the emerging powers have deep inequalities between the rich and the poor, huge pockets of poverty, and non-accountable, weak or non-existent democratic institutions. This makes them 'systemically vulnerable'.[119]

The result is a power vacuum in the world: BRICS economies have been growing stronger, but not strong enough to replace the old industrial powers just yet.

Recently, as already noted, BRICS countries and other emerging markets have faced economic and political headwinds. The economic issues have been discussed, but political flux is also evident: India has seen a leadership change while SA has the emergence of more vocal opposition to the ANC government. Although SA's governing ANC has been re-elected with 62 per cent of vote, it is likely that a section of the trade union movement, led by the National Union of Metalworkers of South Africa (NUMSA), may form a Workers' Party, along the lines of the Brazilian one, in the near future.

Brazil, as noted, is experiencing political upheaval, with many disgruntled citizens likely to deliver a stern message to the governing Worker's Party-led alliance in the national elections due in October 2014. The longer-term effect on the Russian economy because of the country's aggression towards Ukraine is not yet clear, but there was an immediate capital flight from Russia, and uncertainty remains.

The BRICS engagement with Africa so far is replicating Africa's low-quality growth model – enriching African elites, rather than the masses, undermining Africa's own agricultural and manufacturing sectors, leading to vanity infrastructure projects for African elites and undermining attempts to foster democracy on the continent. Only ecologically and economically sustainable development, inclusive growth and quality democracies, will enable a transition to a high-quality growth trajectory in Africa.

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SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER SIX

BRICS

A GLOBAL TRADE POWER IN A MULTI-POLAR WORLD

JOSEPH PURUGGANAN, AFSAR JAFRI AND PABLO SOLON/FOCUS ON THE GLOBAL SOUTH

BRICS: A global trade power in a multi-polar world

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INTRODUCTION

Central to the narrative of emerging powers, and particularly the BRICS, is the issue of trade, as both the driver of their economic surge, the factor behind their growing economies and the platform it has given them to assert influence in global governance.[1] In the seminal paper from Goldman Sachs which gave birth to the BRIC acronym, world trade shares was one of the key parameters used to show the growing importance of these emerging powers[2]. The BRICS share in world trade has increased significantly from 3.6 per cent in 1990 to 15per cent in 2010.[3] Combined trade (exports and imports) now amount to $5.9 trillion.[4]

Driving this surge is China. From a mere 1.6 per cent share of global trade in 1990, China's share has increased rapidly, doubling every ten years. China's current share of 9.2 per cent of global trade accounts for 61 per cent of the combined BRICS share of global trade.

The emergence of the BRICS has raised questions about the role these countries would play on their own and collectively in global trade and economic governance. This chapter examines BRICS trade policies, how these have been advanced in various platforms such as the WTO and bilateral trade negotiations, and whether or not the institutionalisation of the BRICS and their individual and collective actions constitute a break from the status quo, thereby opening up possibilities for more equitable alternatives.

While the chapter looks at the BRICS as whole, the analysis on Russia's role within BRICS and how it has advanced the interest of the group is somewhat limited.

BRICS TRADE PROFILE

Exports continue to be a main driver of BRICS economies. From a 3.9 per cent share in 1990, combined exports in 2010 accounted for 16.9 per cent of global exports. With exports of goods and services amounting to about a third of their respective GDPs, Russia and China remain the most export-oriented among the pack, followed by South Africa, India and Brazil. While trade of goods and services remain important components of the Indian and Brazilian economies, it is clear that the growth in these two economies is driven more by strong domestic demand.

With exports valued at over 2 trillion dollars, China has now become the leading exporting country in the world, beating Germany (2nd) and the United States (3rd). But apart from China, Russia—ranked 8th in the world with exports amounting to $536 billion—is the only other BRICS country high on the list of top exporters. India is in 21st place with $290 billion, Brazil in 23rd place with $243 billion, while South Africa trails far behind in 43rd place with $93.8 billion.[5]

The composition of their exports reflects the differing strengths of the BRICS economies (see Figure 1 below). The manufacturing sector is the clear driver of China's export machine, representing a little over 90 per cent of its total exports. Exports of manufactured goods in India, South Africa and Brazil likewise account for the majority of merchandise exports, but the composition of their exports are not as lopsided in favour of manufactured goods compared to China.

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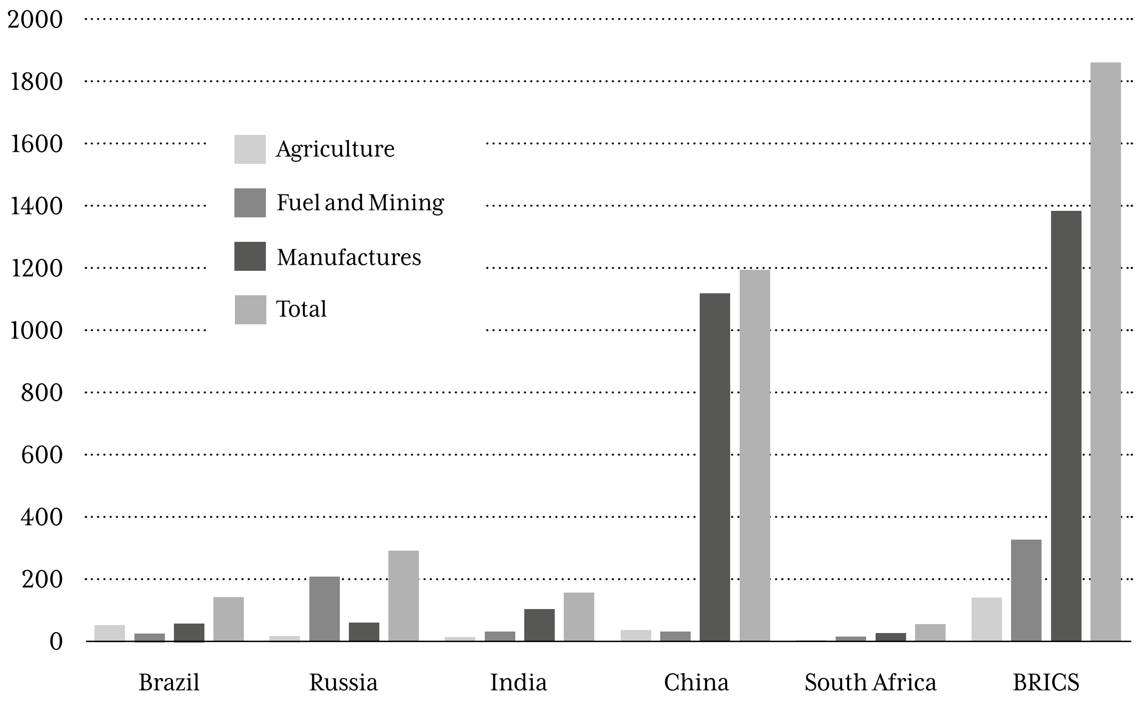
In India, while manufactured goods account for around 66 per cent of total exports, exports in the fuel and mining sector represent around 20 per cent of its exports and agriculture around 10 per cent. South Africa's fuel and mining exports command a higher share of 35 per cent of exports, while its agricultural exports account for a little over 10 per cent. While Brazil's mineral exports constitute 21.3 per cent, its agricultural exports are also substantial with a 37 per cent share of total exports. Russia's export profile on the other hand shows the dominance of the fuel and mining sector commanding close to 70 per cent of total exports, followed by manufactured goods and agriculture.[6]

Figure 1. BRICS Merchandise Exports by Sector (by value in $ billions)



Source: By author based on figures in the BRICS Report 2012.

Trade in services is also an important component of BRICS trade with the two emerging economies from Asia, China and India, leading the group. China is ranked 4th largest exporter in the world while India is within the top ten. The rest of the group however, Brazil, Russia and South Africa trail far behind in the world rankings.[7] However, these rankings belie the increasing importance of the services sector within the economies of the BRICS. With the exception of China, where the industrial sector still accounts for a slightly greater share of the GDP, in the rest of the BRICS, the services sector has now become the dominant sector in their economies. The sector accounts for two-thirds of the Brazilian and South African economies— 67 and 66 per cent respectively. Services account for over 50 per cent of GDP in Russia and India; even in China, the sector now represents 43 per cent of the economy.[8]

Table 1. BRICS Exports of Goods and Services (per cent of GDP)[9]

Country	1990	1995	2000	2005	2008	2009	2010
Brazil	6.9	6.8	10.1	15.1	13.8	11.3	11.2
Russia	—	29.8	44.3	35.2	31.5	28.2	30.3
India	6.9	10.2	12.3	18.8	23.7	20.1	21.7
China	17.4	23.1	23.3	37.1	34.9	26.7	29.5
South Africa	24.3	22.8	27.8	27.4	35.9	27.7	27.9

Source: UNCTAD.

The BRICS trade profile is also indicative of the structural changes that have occurred in their respective economies over the past two decades. These changes are also important considerations when we examine the positions and agenda being pushed by BRICS. The agriculture sector has in general been on the decline in all of the BRICS, industry has been a constant with a GDP share of ranging from 25 to 30 per cent, and the services sector has surged.

In terms of export destinations, the EU, the United States and Japan are the main trading partners of BRICS countries. The EU-BRICS trade for example has been valued at around $480 billion. BRICS account for 32.2 per cent of EU imports and 20.5 per cent of EU exports.[10] While the percentages are still low compared to their main trading partners, more attention is being given to intra-BRICS trade especially in the light of the recent contraction in the European, Japanese and US and markets. With intra-BRICS trade currently at around $230 billion (at an average annual growth rate of 28 per cent), the BRICS Trade Ministers are planning to take it to $500 billion by 2015.[11]

China dominates intra-BRICS trade capturing anywhere from 72 to 85 per cent of trade within the grouping. The others have little more than single digit slices of intra-BRICS trade. The proportions that make up China's trade with other BRICS is a little more balanced, with Brazil cornering 30 per cent, Russia 28 per cent, India 26 per cent and South Africa with 16 per cent.

Another major feature of the BRICS trade and investment landscape is the dominant role played by transnational corporations (TNCs) both as a source of inward investments within BRICS—thereby fuelling manufacturing and exports—as well as a vehicle of outward investments in other countries in both the South and the North.

Whether in the areas of energy, mining, oil and gas, manufacturing, pharmaceuticals or agriculture, outward FDIs from the BRICS have been undertaken by TNCs such as Vale and Petrobras from Brazil, Sinopec and China National Petroleum from China, the Tata and Reliance Groups from India, and Gazprom and Lukoil from Russia. These corporations are counted among the top 500 global corporations according to a list compiled by *Fortune* magazine.[12]

The significance of TNC operations in global trade and investments is underpinned by the increasing emphasis on global value chains (GVCs)—the trade of intermediate goods and services in fragmented and internationally dispersed production processes[13]—as a defining character of the twenty-first century trade regime. UNCTAD's 2013 *World Investment Report*—which focuses on global value chains—pointed out that "GVCs are typically coordinated by TNCs, with cross-border trade of inputs and outputs taking place within their networks of affiliates, contractual partners and arm's-length suppliers. TNC-coordinated GVCs account for some 80 per cent of global trade."[14]

UNCTAD estimates that foreign affiliates of TNCs in China accounted for some 50 per cent of exports and 48 per cent of imports in 2012. Furthermore, in developing countries as a group it is likely that the share of trade within the production networks of TNCs is higher. This higher share is attributable to the concentration of trade in a small number of large exporters and importers with above-average productivity (that is, predominantly TNCs and their affiliates), and the higher share of extractive industries—involving TNCs—in their exports."[15]

ASSERTION OF POWER

The BRICS countries' muscle has perhaps been exhibited most dramatically in the arena of trade governance. BRICS increasing contribution to world trade has changed dramatically the configuration of global economic power, increasing their capacity and willingness to retaliate and assert their bargaining power when dealing with major developed nations.[16]

There are three major arenas where the clout of the BRICS on trade can be examined. The first and perhaps most important is the World Trade Organization (WTO), the multilateral institution established in 1995 as the arbiter of global trade rules. A particular point of reference is the Doha Round of negotiations, which was launched in 2001 as a "development round", promising to address the needs of least developed and developing countries. Indeed some assert that the negotiating history of the Doha Round—including the recent years of negotiating deadlock—can only be understood in the light of this new global balance of economic power.[17]

The second arena where BRICS power and influence is exhibited is in the area of bilateral and regional free trade and investment negotiations. How have the BRICS countries pursued their development agenda in these talks, and how have they maximised the relative size and strength of their economies to push for these agreements?

The third arena is that of the BRICS summits and trade meetings which have come to represent the formal platforms of BRICS cooperation. The assertion that the significance of the BRICS cooperation is more political than economic gains currency here, in the wake of continuing challenges and competition among the BRICS.[18]

BRICS IN THE *WTO*

In the multilateral arena of the World Trade Organization, the BRICS have played significant roles in shaping and influencing the global trade agenda. There are a number of key moments that deserve attention.

From Seattle to Doha

In the Seattle Ministerial Meeting in 1999, the main item on the agenda was the push for a new round of trade talks, dubbed the Millennium Round. The new round was supposed to advance the agenda of the Uruguay Round (finalized in 1994 with the Marrakesh Agreements), and to usher in a new era of deeper and wider trade liberalisation. What was supposed to mark the triumph of free trade and free markets,[19] however, turned into a major setback for the barely five-year-old institution.

Meeting a few months prior to the WTO Ministerial in Seattle, the Group of 77,[20] the largest intergovernmental grouping of developing countries, issued a Ministerial Declaration that defined the group's agenda in the lead up to Seattle.[21] The group, which includes China, India, Brazil and South Africa, expressed their continued support for liberalisation of international trade under WTO rules, but also drew attention to the significant imbalances between rights and obligations under the WTO as well as in conditions of market access. It called for an agenda in Seattle to redress the imbalances in favour of developing country interests and strengthen the development dimensions of trade.

The Seattle Ministerial collapsed under the weight of protests from the outside and an "unprecedented rebellion" from the inside.[22] John Vidal, of the *Guardian* newspaper, incisively summed up the issues that led to the collapse:

> So what happened in the real Battle for Seattle? Firstly, the poor countries were sidelined from the start in the desperation of the Americans to get a deal. The working groups which had convened to reach consensus between interested countries in different areas were regarded as a sham. The chairs were reporting consensus when none existed.
>
> Secondly, the 'green room discussions', the next level of debate, this time mostly between the rich countries, were excluding the poor. At least one African delegate was physically barred from attending.

> The third issue concerned the style and manner of the US chief negotiator Charlene Barshefsky who was judged personally offensive, patronising and insulting. She was booed in one plenary meeting.
>
> And in addition to this the poor countries were appalled by the speed at which the negotiations were being rushed through, and by the lack of debate. Not only had many of the world's poorest countries neither the capacity nor the means to implement even the previous round of talks which finished five years ago, let alone take aboard a whole new round of negotiations, but many had barely the means to have a permanent representative in Geneva where the rolling talks are held.[23]

Seattle ended in failure. But the views expressed in the G77 statement calling for a more equitable and development-oriented trade regime resonated throughout the conference. Brazil denounced the "old and new protectionist mechanisms" directed at exports from developing countries and called on the WTO to fulfill its "core mandate" to address the distortions that persist in international trade, especially trade in agriculture.[24] Even China, which was then still on the verge of accession to the WTO,[25] boldly pointed out that "the current multilateral trading system has obvious defects. Its failure to fully reflect the rights, interests and demands of the developing countries shows how incomplete and unbalanced this Organization is".[26]

In Seattle, developing countries were united around two main agendas: the so-called 'three-Rs' (review, repair and reform) of the existing Uruguayan agreements and processes, and support for a new round of talks that would address outstanding implementation issues and pursue the development dimension of trade. Of the two calls, the support for a new development-oriented round was the one that garnered enough strength in the lead up to the 4th Ministerial meeting in Doha, Qatar in 2001.

The main outcome of the Doha Ministerial was the agreement to launch the Doha Round of negotiations for new agreements under the WTO. The Doha Development Agenda (DDA), which underpins the new talks reflects the concession—at least on paper—to the growing calls from developing countries that had gained strength a couple of years earlier in Seattle.

The Doha Ministerial Declaration states:

> The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development.[27]

The Doha Ministerial likewise affirmed and recognised the key concerns articulated by developing countries, including the particular vulnerability of least developed countries, the need for more transparent and participatory processes within the WTO, and the need to address implementation issues as part of a broad and balanced agenda. Central to the development agenda is the highly contentious area of agricultural trade, which to some represents the main "symbol of protectionism and distortions" in the international trade regime.[28]

Beneath the air of unanimity surrounding the launch of new negotiations, however, was a huge dilemma that faced developing countries: whether or not to support a new round of talks that promises to address their concerns but also includes an agenda for further liberalisation and expansion of the WTO mandate that could be detrimental to their own development interests. As former Indian Ambassador B.L Das explained, "for developing countries(...) the immediate political cost of withholding consensus appears to them to be much heavier than the burden of these obligations in the future."[29]

Nevertheless, the concessions towards a balanced and development-centred programme (mere rhetoric, according to those critical of the Doha Round agenda), hinted at an increasing tension between the dominant powers in the WTO—the so-called quad of US, EU, Canada, and Japan—and developing countries that seem to have slowly gained their voice and strength within the WTO.

As the Cambridge University's Centre for Rising Powers 2012 study pointed out:

> The Doha Round was caught in the middle of a tectonic shift in the global balance of economic power. The rise of China, Brazil and India, among other emerging countries, had an impact on the WTO negotiations and affected the negotiating structure and processes.[30]

While both camps argued in the name of 'development', and were trying to secure greater access to each other's markets, a fundamental difference in perspective on the underlying goal of Doha was becoming clear, as *The Economist* outlined:

> America sees the Doha talks as its final opportunity to get fast-growing emerging economies like China and India to slash their duties on [manufactured goods], which have been reduced in previous rounds but remain much higher than those in the rich world. It wants something approaching parity, at least in some sectors, because it reckons its own low tariffs leave it with few concessions to offer in future talks. But emerging markets insist that the Doha Round was never intended to result in such harmonisation. These positions are fundamentally at odds.[31]

CHINA's ACCESSION

Another major outcome of the meeting in Doha was the decision approving China's accession to the WTO. China's membership was hailed by then WTO Director General Michael Moore as a "defining moment in the history of the multilateral trading system". With China's membership, Moore added, "the WTO will take a major step towards becoming a truly world organization. The near-universal acceptance of its rules-based system will serve a pivotal role in underpinning global economic cooperation".[32]

China's entry into the WTO fold clearly gave a major boost to the institution and to the agenda of trade liberalisation. China made very serious efforts during its long process of accession, which involved bilateral negotiations with member countries, including the United States and the European Union. In the end, China committed to undertake major reforms of its economic and trade policies to comply with its WTO obligations. These included restricting the use of price controls; the removal of export subsidies on agricultural products; and compliance with the WTO's intellectual property rights regime as outlined in the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

The dominant view on the economic impact of China's accession to the WTO emphasises the rise of China's standing as the world leader on trade, and a preferred destination of foreign direct investments. As one scholar of US-China policy put it, "China's membership yielded China capital, technology, energized reform and competition, and created an opening for new sectors, and importantly helped to depoliticize trade disputes".[33]

China had been undergoing economic reforms for decades prior to WTO accession but some contend that its WTO membership accelerated the process of reform, and reinforced the direction in which China's economy and polity had been moving towards greater integration into the global economy.[34] After all, to accede to the WTO, China amended more than 2,500 of its national laws and regulations and abolished more than 800 others to fulfil WTO rules.[35]

Nevertheless, it is important to note that China's transition to a full market-economy still remains incomplete in the light of the leading role played by government in economic development through its state-owned enterprises (SOE).[36] China's SOEs and the activist role of the state in the economy are policy areas where China remains vulnerable to challenges within the WTO.

CANCUN AND THE RISE OF THE *G20*

Two years after the launch of the Doha Round, the 5th Ministerial Meeting of the WTO was held in Cancun. This was envisaged as a 'stock-taking' Ministerial, where governments would review the steps already undertaken and chart the agenda towards the conclusion of the Doha negotiations.

Not unlike Seattle, the Cancun Ministerial collapsed, dealing another blow to WTO. The official line was that the Conference ended without consensus, due to disagreements over the so-called 'Singapore issues' of investment, government procurement, competition policy, and trade facilitation.[37] However a closer look shows that groupings of developing countries that spearheaded the challenge to the WTO agenda in Cancun were not just focused on the highly contentious Singapore issues, but on almost all the key negotiating areas.

Brazil, India and South Africa in particular played crucial roles in a WTO negotiating group called the G20, a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries, with some flexibility for developing countries. It is not the same group as the G20 group of nations although—confusingly—it has the same name.[38] They were backed by China, which according to some views, deliberately avoided taking the reins of the G20 or any other country grouping for that matter in order to avoid being perceived as a troublemaker."[39]

The G20 negotiating group represented a counterweight in the agriculture negotiations which had, until then, been dominated by the US and EU. The Group—led by Brazil and India—went beyond the usual "blocking" strategy, putting forward an alternative framework to the text drafted in advance by the US and the EU, which had promptly been rejected by developing countries.[40] The G20 proposed more radical cuts on domestic support provided by developed countries, including a cap on the amount of permitted non-trade distorting subsidies that can be provided to farmers. Its market access proposal sought a substantial improvement in market access for all products by reducing all tariffs, but with a differentiated reduction formula for developing countries.[41]

The success of the G20 negotiating group's effort in challenging the attempts of major powers to ram through their agenda on agriculture, and in pushing for a counterweight to the US and EU agenda, has been described as a momentous occasion in the history of the WTO. Because the G20 involved the emerging powers of Brazil, India, South Africa and China, the coalition was seen as a "new exemplar of proactive diplomacy of the emerging powers."[42]

REVISIONIST OR STATUS QUO POWER

With the emergence of new power dynamics in the WTO caused by the rise of the BRICS, the key question now is what kind of power would the BRICS be?

The collapse of two high-level conferences (Seattle and Cancun) meant that the established powers were forced to concede to what Walden Bello calls an "expansion of the circle of power".[43] This involved the convening of the "five interested parties" (or FIPS) in the agriculture negotiations, where Brazil and India joined other key players—Australia, the US and EU—in talks to resolve their differences and push for a compromise text. [43]

The established powers, however, were obviously keen to ensure that the new powers played by the same rules. US Trade Representative Robert Zoellick for example argued that they should be "responsible stakeholders", sharing the burden of an "unreformed international order, whose rules are tilted towards established powers, and be happy to be part of the club.....".[44]

The initial WTO meetings after Cancun suggested that the new powers were happy to oblige, as Bello's insights on the role played by Brazil and India in the Hong Kong meetings in 2005 illustrate:

> In the lead-up of the Hong Kong ministerial, Brazil and India's new role as power brokers between the developed and developing world was affirmed with the creation of a new informal grouping known as the "New Quad". This formation, which included the EU, US, Brazil, and India, played the decisive role in setting the agenda and the direction of the negotiations. Its main objective in Hong Kong was to save the WTO. And the role of Brazil and India was to extract the assent of the developing countries to an unbalanced agreement that would make this possible in the face of the reluctance of the EU and US to make substantive concessions in agriculture. Delivering this consent was to be the proof that Brazil and India were "responsible" global actors.[45]

Similar to the role played by Brazil and India, when China joined the WTO in 2001, many were pushing for China to play a more active "mediating" function given its extensive links with both developed and developing countries.[46] But China has held the perspective that "the status quo should be maintained" rather than systemically reformed, and is trying to move the Doha Round forward, at least somewhat.[47] As we would see later on, however, China was perhaps just waiting for the right opportunity to assert its growing power.

CRISIS AND THE CONTINUING IMPASSE

Since Hong Kong, the WTO has continued to convene the mandated Ministerial Conference, albeit with less hoopla and lower expectations. In 2008, a mini-ministerial meeting held in Geneva collapsed ignominiously. The more contentious issues, glossed over in Hong Kong for the sake of projecting progress, resurfaced and triggered major disagreements among WTO members.

One of the main sticking points was the special safeguard mechanism, where the interests of import-sensitive China and India were pitted against US demands for predictable market access to farm products.[48] China in particular was arguing for special treatment as a developing country, and a "recently acceded member" (RAM) for that matter, in order to protect certain sensitive products for subsistence and livelihood security reasons.[49]

China and India drew a lot of flak, with the US leading the blame game, for supposedly "throwing the entire Doha round into the gravest jeopardy" by "controlling a large group of even poorer nations."[50] A tit for tat ensued, with China accusing the US of "hypocrisy for heavily subsidizing its cotton farmers". [51] The collapse of the mini-Ministerial in 2008, coming as it did at the onset of a global economic crisis, is viewed as a turning point for China's more aggressive stance in the WTO. China pushed its interests strongly in the talks, while arguing for the same flexibility and special treatment afforded to developing countries and RAMs.[52]

Geneva was again the venue for the 7th Ministerial Conference in 2009. In the midst of the global economic crisis, the conference was meant to send a strong message on the importance of the WTO as a 'stabilising force'.[53] The statements from the BRICS countries carried two main messages: the need to put the development agenda back on track, and their willingness to act and make a contribution to re-invigorate the stalled talks.

Echoing the Declaration of the WTO G20 grouping, Brazilian Foreign Affairs Minister Celso Amorim expressed the readiness of Brazil and the rest of the countries in the G20 "to act, and focus on what is needed to finish the Round", but also emphasised that "it is unreasonable to expect that concluding the Round would involve additional unilateral concessions from developing countries."[54] Brazil highlighted its own efforts to push for development across the globe with its granting of duty-free-quota-free (DFQF) access for products from Least Developed Countries (LDCs), covering 80 per cent of all tariff lines, and a commitment to extend this to cover all tariff lines in the coming years.

Indian Commerce Minister Anand Sharma listed the main concerns of developing countries in the talks: the dilution of the development objectives; the lack of sympathetic discussion on issues vital to developing countries like DFQF market access, the special safeguards mechanism, cotton, preference erosion, fisheries subsidies, and mode-4 access in services (migrant worker visas).[55]

More significant perhaps, India also advanced a package of reforms intended to make the WTO "more relevant, vibrant and user-friendly". These included proposals to: improve information dissemination, revitalise WTO committees, set out best-practice guidelines on regional trade agreements, formulate a legal instrument on DFQF, and establish guidelines on technical standards.[56] This move was perceived as an important effort by India, enhancing its "clout at the apex world trade body and helping shed its 'deal-breaker' image."[57]

South Africa's Minister of Trade and Industry Rob Davies gave perhaps the strongest views on the talks, from the viewpoint of developing countries and LDCs. Davies took the developed country members to task, noting the lack of progress on approaching "a successful developmental conclusion", and criticising the tenor of the discourse:

> Instead of prioritizing the advancement of outstanding reforms that are of urgent need to developing countries, like cotton and the LDC package, recent engagements have been dominated by unfair demands placed on major developing countries to enhance market access for the benefit of narrow commercial lobbies in parts of the developed world.[58]

Davies went on to point out that "[f]or us backsliding means retreating further from the development mandate that we all agreed to in Doha, and further imbalancing (sic) in the proposed Doha outcome."[59]

BRAZIL AT THE HELM

An important development in the WTO was the May 2013 election of Brazilian Roberto Azevedo as the new Director General, replacing Pascal Lamy. Even though the BRICS didn't formally announce their support for the Brazilian candidate, it´s clear that the alliance had only one candidate from the BRICS, and that they pushed for him. In one joint communiqué of trade ministers, they argued for "a new leader who demonstrates a commitment to multilateralism and to enhancing the credibility and legitimacy of the WTO including through a commitment to support efforts that will lead to an expeditious conclusion of the Doha Development Agenda." [60]

The big question has been whether putting Brazil at the helm will advance the agenda of southern actors looking for major changes in global governance systems, or act as a release-valve for northern actors trying to cope with pressure from the South.[61]

Azevedo's first test of leadership came a few months into his new post as Director General, at the 9th Ministerial Meeting of the WTO held in Bali, Indonesia in December 2013. The expectations were high that the Bali meeting would produce provisional 'early harvest' agreements on some of the elements of the Doha mandate, and the delivery of this package in Bali was deemed 'make or break' for the WTO.

Azevedo came through in Bali as he steered the conference into delivering a package ('The Bali Package') that includes agreements on trade facilitation, public stockpiling of food grains for food security, and preferences for LDCs, among others.

We cannot underestimate the contribution of Azevedo's brinkmanship in successfully leading the process and mobilising the support of developing countries to secure an outcome in Bali. Azevedo was very careful to promote a consistent message of inclusiveness and transparency that appealed to developed countries and took him beyond his BRICS base.

In his inaugural speech as the new DG in September 2013 for instance, he emphasised the importance of the multilateral trading system in the context of the changing times. In calling it "the best defence against protectionism and the strongest force for growth, recovery and development", he repeated a mantra of his predecessor Pascal Lamy, and a message that appealed to developed countries. Yet he also alluded to the BRICS and emerging economies and how "they are fundamentally shifting the landscape of the world economy". Azevedo also noted that the "system is in trouble", and highlighted the need to "work together to fix and strengthen the system" and make sure that the system works for the poorest, messages that appealed to developing countries.[62]

Azevedo established a process in the lead up to Bali that featured intensive consultations and rolling sets of meetings to reach out to various groupings in order to build consensus on the main issues of the Bali deal. He went to India, for example, in September 2013 to seek consensus with Indian negotiators over its food security proposal, a crucial move as far as the Bali talks were concerned, and one that would pay off in the final stages of the negotiations in Bali.

Besides Azevedo and Brazil, India's role was also pivotal in the 'success' of the talks. India spearheaded the negotiations over granting developing countries policy space under the WTO's Agreement on Agriculture to protect its agriculture in the interest of food security. At the early stages, India positioned itself as a champion of developing country interest in taking a firm stand for a permanent solution to the issue, and standing against attempts by developed countries to water down its original proposal. As the talks progressed, India softened its position and agreed to the language over a compromise clause that would allow developing countries the leeway to continue current stockpiling programs for a period of 4 years, and specific language that protected India's current national food program. This acceptance of a conditional interim solution, however, alienated its own national constituency keen to defend Indian farmers, as well as some developing countries who saw India's shifts in positions as a betrayal of developing country interests.

In the end, the Bali outcome delivered by Azevedo, accepted by India and supported by all the members of the WTO is an unbalanced deal which once again favours the interests of developed countries. The US and the EU got the trade facilitation deal that they have been pushing for, and offered an acceptable compromise in return by way of a temporary solution to the problem of developing country subsidies for food security.

Bali seemed to confirm the question many had previously posed about the likely consequences of growing BRICS power; revealing that when push came to shove BRICS would take sides in support of the status quo, rather than pave the way for a new trade agenda.

BRICS AND FREE TRADE AND INVESTMENT AGREEMENTS

To have a real understanding of the dynamics of BRICS in relation to trade and investment it is necessary to go beyond the public statements and look at the evidence of what each BRICS country is doing in relation to bilateral investment treaties (BITs), trade agreements, and to see their trajectories in their different regions.

China, in particular, has been the most aggressive in pushing for Free Trade Agreements (FTAs) with other developing countries. This drive is underpinned by two strategic objectives. The first is to secure long-term energy supplies and obtain sources of other natural resources that it needs for its manufacturing exports. The second is to expand its market to various regions to enable it to continue its growth. Currently, China has 14 FTA partners comprising 31 economies and regions including the Asia-Pacific region, Latin America, EU, Africa and Oceania. Since 2002 China has signed FTA Agreements with the ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, Costa Rica as well as Economic Partnership Agreements with Hong Kong, Macau and Taiwan. It is negotiating FTAs with the Gulf Cooperation Council (GCC), Australia, Iceland, Norway, Southern African Customs Union, Japan and South Korea (China-Japan-SK FTA), and Switzerland. It is currently finishing FTA Feasibility Studies with India and South Korea.

Table 2. BRICS FTAs

Country	Number of FTAs	Partners
Brazil	5	Global System of Trade Preferences among Developing Countries (GSTP) Protocol on Trade Negotiations (PTN) Latin American Integration Association [ALADI in Spanish] Southern Common Market (MERCOSUR) MERCOSUR—India
Russia	16	Armenia—Russian Federation Common Economic Zone (CEZ) Eurasian Economic Community (EAEC) Georgia—Russian Federation Kyrgyz Republic—Russian Federation Russian Federation—Azerbaijan Russian Federation—Belarus Russian Federation—Belarus—Kazakhstan Russian Federation—Kazakhstan Russian Federation—Republic of Moldova Russian Federation—Serbia Russian Federation—Tajikistan Russian Federation—Turkmenistan Russian Federation—Uzbekistan Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS) Ukraine—Russian Federation
India[63]	34	India-Singapore Comprehensive Economic Cooperation Agreement India-Southern African Customs Union Preferential Trade Agreement India-Sri Lanka Free Trade Agreement India-Thailand Free Trade Area India-Turkey Free Trade Agreement India-Uruguay Preferential Trading Arrangement India-Venezuela Preferential Trading Arrangement Indo-Nepal Treaty of Trade Japan-India Comprehensive Economic Partnership Agreement Malaysia-India Comprehensive Economic Cooperation Agreement New Zealand-India Free Trade Agreement People's Republic of China-India Regional Trading Arrangement Regional Comprehensive Economic Partnership South Asian Free Trade Area
China	27	ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement Asia-Pacific Trade Agreement Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) East Asia Free Trade Area (ASEAN+3) New Zealand-People's Republic of China Free Trade Agreement People's Republic of China-Australia Free Trade Agreement People's Republic of China-Chile Free Trade Agreement People's Republic of China-Colombia Free Trade Agreement People's Republic of China-Costa Rica Free Trade Agreement People's Republic of China-Gulf Cooperation Council Free Trade Agreement People's Republic of China-Hong Kong, China Closer Economic Partnership Arrangement People's Republic of China-Iceland Free Trade Agreement People's Republic of China-India Regional Trading Arrangement People's Republic of China-Japan-Korea Free Trade Agreement People's Republic of China-Korea Free Trade Agreement People's Republic of China-Macao Closer Economic Partnership Arrangement People's Republic of China-Mongolia Free Trade Agreement People's Republic of China-Norway Free Trade Agreement People's Republic of China-Pakistan Free Trade Agreement People's Republic of China-Peru Free Trade Agreement People's Republic of China-Singapore Free Trade Agreement People's Republic of China-Southern African Customs Union Free Trade Agreement People's Republic of China-Switzerland Free Trade Agreement People's Republic of China-Taipei,China Economic Cooperation Framework Agreement People's Republic of China-Thailand Free Trade Agreement Regional Comprehensive Economic Partnership Shanghai Cooperation Organization Free Trade Agreement
South Africa[64]	8	Southern African Customs Union (SACU) Southern African Development Community (SADC) FTA Trade, Development and Cooperation Agreement (TDCA)- FTA with the European Union EFTA-SACU Free Trade Agreement (FTA) SACU-Southern Common Market (Mercosur) PTA Zimbabwe/South Africa bilateral trade agreement SACU-India PTA SADC-EAC-COMESA Tripartite FTA

Source: Compiled by authors from several sources. For China and India aric.adb.org; for South Africa see http://www.thedti.gov.za/trade_investment/ited_trade_agreement.jsp; and for Brazil and the Russian Federation http://rtais.wto.org.

Among the BRICS countries, Brazil has been the least engaged in FTAs, with only five agreements. In fact, during the government of Lula da Silva (2003-2011), Brazil contributed to the failure of the FTAA negotiations in order to preserve their domination of local and regional markets. While Brazil—MERCOSUR launched negotiations with the EU in 2010, after nine negotiation rounds a date has yet to be set for the exchange of offers of market access.

Brazil doesn't have much to gain from negotiating an FTA with either the US or the EU, unless they reduce their subsidies in agricultural products where Brazil has advantages. The WTO therefore remains the main site for Brazil to demand concessions from the North—particularly around domestic support for agriculture—but there is no sign that in the short term there will be any shift in position by the Northern countries.

As a result Brazil has instead relied on multilateral mechanisms, such as the Global System of Trade Preferences among Developing Countries (GSTP) and the Protocol on Trade Negotiations (PTN), which are trade preference agreements between developing countries. They give preferential access to certain products from the participating countries by reducing tariffs.

At a regional level, Brazil has been engaged with the *Asociación Latinoamericana de Integración* (ALADI), created in 1960, which offers regional tariff preferences among the countries of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, Cuba and Panama. It is also a leading member of the Southern Common Market Agreement (MERCOSUR), which is a free trade zone whose full members include Argentina, Paraguay, Uruguay, Venezuela and Brazil. Through MERCOSUR, Brazil also has agreements with Bolivia, Peru and Chile, as well as a partial agreement with India that is mainly a Preferential Trade Agreement.

India leads the pack in terms of its enthusiasm for FTAs, having signed 18 and being involved in negotiations for a further 16 bilateral trade pacts. It has paid a heavy price for its enthusiasm. While imports from these countries and regions into India have increased sharply, India's exports have stagnated. Most of these FTAs have turned out to be win-lose propositions—a win for the trading partner, and a loss for India. Be it Thailand, ASEAN, South Korea, Japan, Singapore or Malaysia, in almost all cases imports have grown at a faster pace than exports after the Indian government agreed to slash tariffs. India's trade deficit with Japan was at $3.6 billion in 2010-11 before it signed an ambitious bilateral Comprehensive Economic Partnership Agreement (CEPA) in 2011. A year later the CEPA was implemented and India's trade deficit almost doubled in 2012-13 to $6.3 billion.[65] The country's trade deficit with ASEAN, with which it signed a trade agreement in August 2009, has widened to $18 billion in 2013 from $14.9 billion in 2009-10[66].

At present, India is negotiating FTAs with major trading blocs/nations like the European Union (EU), European Free Trade Association (EFTA), Canada, Australia, New Zealand, China, Israel, Russia and others. This is despite warnings from government agencies and some industrial sectors about the likelihood of increasing India's trade deficit and current account deficit (CAD), which act as a drag on the Indian economy.

Even the latest Economic Survey 2012-13 presented by the Ministry of Finance, notes that "the widening of the trade deficit to more than 10 per cent of GDP and the CAD crossing 4 per cent of GDP in 2011-12 and the first half of 2012-13 have been matters of concern". It further observed that "the room to increase exports in the short run is limited, as they are dependent upon the recovery and growth of partner countries, especially in industrial economies".

As a result of these reports, the Ministry of Commerce has decided to assess the impact of FTAs and CECAs to look at "the trade diversion created by the arrangement, the creation of trade that has taken place after the agreement, [and] the effect on services in which India has an edge over the other nations"[67]. Recently, the Finance Ministry ordered a review of the FTAs because India cannot run a high current account deficit for much longer[68].

Like Brazil, South Africa's FTA strategy is more calibrated than India's, focusing on consolidating economic relations within the African region through the Southern African Customs Union (SACU) and the Southern African Development Community (SADC). In addition, South Africa is strengthening existing agreements with Europe and exploring possibilities for new agreements with the North, while showing a clear desire to expand relations with other emerging economies like China and Brazil.

Interestingly, after five years of BRICS summits, there has been no call for a negotiation of a free trade agreement between all BRICS countries. The strategy of the BRICS has rather been to allocate public resources to infrastructure or other projects in BRICS and developing countries in order to create demand for their own corporations, and to obtain access to more natural resources for their industries.

At the Fifth Summit of the BRICS (Durban, 2013), this support was formalised in an agreed "Trade and Investment Cooperation Framework" which aims to promote "trade, investment and economic cooperation among the BRICS Members", encouraging trade and investment links, sharing policy practices on trade and investment, and promoting initiatives to support institution-building. Together with the creation of a BRICS Development Bank to fund infrastructure and development projects, the BRICS members are seeking to address the decline in their exports to the rest of the world, in particular the EU and the US, and pushing for "intra-BRICS trade and investment" of "high value-added products". BRICS exports to the EU declined by as much as 22 per cent in 2009—a loss of over 100 billion euros worth of exports[69]—while exports to the US in 2009 declined by as much as $68 billion, or a 16 per cent decline from 2008 figures.[70]

Table 3. BRICS Bilateral Investment Treaties (BITs)

Country	BITs	
	Signed	Entered into Force
Brazil	14	0
Russia	71	52
India	83	68
China	128	105
South Africa	46	23
BRICS	342	248

Source: UNCTAD BITs Database.[71]

The picture on BRICS and bilateral investment treaties (BITs) shows a little more divergence between the BRICS players, and also presents some new agendas. Brazil, again, is the outlier with only 14 BITs, none of which have been ratified; consequently none has entered into force.[72] All of Brazil's BITs were negotiated and signed from 1994-99, before the electoral victory of the Workers Party (PT) in 2003.

China, on the other hand, is the BRICS country with the most signed BITs at 128, 105 of which are in force, followed by India with 68 out of its 83 BITs in force. Russia has 52 of its 71 BITs in force, while South Africa has 23 BITs in force out of a total of 46 signed agreements.

None of the BRICS countries has a Bilateral Investment Treaty in place with the United States. Russia has signed such an agreement, as yet unratified. China, Russia, India and South Africa have BITs in force with countries of the European Union such as Germany, United Kingdom and France.

On the issue of investor protection and investment arbitration, China is the only BRICS member of the International Centre for Settlement of Investment Disputes (ICSID), the international institution under the auspices of the World Bank, whose primary purpose is to provide facilities for conciliation and arbitration of international investment disputes.[73] China signed the convention in 1990 and the agreement entered into force in 1993. Russia signed the ICSID convention in June 16, 1992, but never completed the ratification process. The others (South Africa, India and Brazil) have not signed the ICSID convention, and therefore cannot be sued as states by private investors under ICSID.

China has been sued only once in the ICSID—by a Malaysian firm—but the case was withdrawn after an agreement between the parties. On the other hand, in September 2012 a Chinese company presented a case to the ICSID against Belgium involving banking and financial services; the case is still pending.[74]

One significant development that has the potential of upsetting the investment policy apple cart is the South African government's decision in 2013 to terminate its BIT with Germany and its earlier decision not to renew its expiring BITs with Belgium, Luxembourg and Spain. These moves are part of an ongoing reform process in South Africa to "overhaul its investment policy framework" and replace its old-generation investment treaties with a new national law that would balance the interest of investors with the need to safeguard domestic policy space.[75]

This move by South Africa is just the latest in a series of actions by governments from both the North (for example, Canada and Australia) and the South (for example, Ecuador and Bolivia) to review their existing BITs and address the issue of imbalance in the current investment regime. As an article for the *Trade Law Centre* for Southern Africa stresses:

> Globally, both developing and developed countries are increasingly seeking to adopt approaches to investment promotion and protection which better balance the requirements of investors and the right of governments to regulate in the public interest on matters relating to environmental protection, public health and social equality.[76]

Interestingly however on the question of South Africa's BITs with fellow BRICS, in particular with China, South Africa is taking a more consultative approach. As the trade and investment director of South Africa's Department of Trade and Industry Dr Mustaqeem de Gama pointed out: "We are working on the development of a commercial framework on investment and how we will deal with BITs, and any move on the treaty with China will be as a result of consultation within BRICS".[77] This may indicate a larger issue at play, not only in terms of intra-BRICS coordination and unity, but also in relation to China's growing level of influence in the African region, and the role that South Africa plays in that equation.

THE *BRICS* TRADE AGENDA

Trade issues have been always an important element of the official BRICS summits' agenda. Since formalising their grouping, BRICS has regularly issued trade statements or communiques to declare their stance on key trade and investment issues, highlighting key points of consensus while defining areas for further cooperation in the economic sphere.

Moreover, BRICS Trade Ministers have also met regularly, at times in parallel with the main BRICS summits and also in advance of WTO negotiations. The first BRICS Trade Ministers meeting was held in Sanya, China on 13 April 2011 on the sidelines of the 3rd BRICS Summit. Trade Ministers have subsequently met in Geneva in December 2011, Puerto Vallarta, Mexico in 2012, and Durban, South Africa in 2013.

In their First BRIC Summit in Yekaterinburg, Russia in June 2009, the BRICs leaders summed up their common position in a way that has been repeated at subsequent meetings:

> We recognize the important role played by international trade and foreign direct investments in the world economic recovery. We call upon all parties to work together to improve the international trade and investment environment. We urge the international community to keep the multilateral trading system stable, curb trade protectionism, and push for comprehensive and balanced results of the WTO's Doha Development Agenda.[78]

The BRICs are committed to improving the international trade and investment environment through a multilateral, less protectionist, comprehensive and balanced outcome of the WTO Doha Round of negotiations.

In short, the BRICs want to improve the current trading regime and not replace it with a different system. They would prefer a multilateral agreement that embraces all countries rather than a proliferation of different bilateral trade agreements, but as we will see they are also very active in bilateral trade negotiations at different levels.

The key words "comprehensive and balanced" mean that they are not willing to accept an agreement on NAMA (Non Agriculture Market Access) in the WTO if there is no agreement on agriculture which involves the reduction of farming subsidies by the US and European Union. This position especially benefits Brazil as it is the third biggest exporter of agricultural products after the EU and the US, with a total of $86.45 million in agricultural exports. These represent 33.8 per cent of their total exports according to the WTO, while China's agricultural exports only represent 3.3 per cent of their total exports.

In the area of services, the BRICS countries are in favour of liberalisation of trade in services, but argue it should be a gradual process taking into account the development and regulatory capacity of each country. They add the rider that such liberalisation should be in exchange for "additional market access opportunities" in other areas where developing countries [read BRICS] are competitive. In other words 'yes' to service liberalisation, but at their own pace and in exchange for market access in agriculture and other goods where there are remaining trade barriers.

Despite the regulatory failures unveiled by the financial crisis and the BRICS countries own calls for better regulation of the financial sector, they have not criticised GATS rules on financial services. Neither have they highlighted the fact that the US and EU—or BRICS themselves—failed to comply with these rules of service liberalisation during the financial crisis.

In relation to trade facilitation, an issue that involves cutting red tape, improving border or customs procedures and reducing trade costs, BRICS trade ministers support progress, but argued that:

> The costs of implementing trade facilitation measures can be a significant challenge for many developing countries, which have to be met through adequate financial and technical assistance. Due attention has also to be paid simultaneously to the development of export-related infrastructure, especially in Least Developed Countries (LDCs), to obtain a win-win result.[79]

This reference to the needs of LDCs is a recurring theme in BRICS trade communiques. In order to have more power in the negotiations and gain support from other developing countries, BRICS have advocated for specific agreements like "duty-free-quota-free" and "cotton" while insisting on their own agenda. In this case, the BRICS are willing to have an agreement on trade facilitation because they are mainly trade exporters. To gain the support of the developing countries and LDCs, they advocate in their favour by pushing for adequate financial and technical assistance for the implement of trade facilitation.

SOUTH-SOUTH ECONOMIC COOPERATION

The growing importance and influence of the BRICS in global trade and investment has raised questions about how, and to what extent, this ascendancy will enhance South-South trade and broader economic cooperation, including the areas of finance, investment, and technology and knowledge transfers.[80]

Over the last two decades, there has been a considerable surge in South-South economic cooperation (SSEC) in areas of trade, investment, development assistance and other financial flows.[81] The Asian Development Bank (ADB) estimates that South-South trade as a share of world trade expanded rapidly from barely 10 per cent in 2001 to 17 per cent in 2009.[82] The value of exports from developing countries to other developing countries now exceeds exports from poor countries to rich ones.[83]

Table 4. South-South Trade as Share of World Trade

	1990-91	2000-01	2006-07	2008	2009
Exports	7.6	10.2	15.0	16.3	17.7
Imports	6.2	9.6	14.1	15.4	16.1
Trade	6.9	9.9	14.5	15.9	16.9
People's Republic of China's share of South-South trade					
Exports	35.5	35.1	40.8	41.2	41.6
Imports	43.9	36.9	37.8	34.4	38.4
Trade	39.7	36.0	39.3	37.8	40.0
India's share of South-South trade					
Exports	2.1	3.1	3.7	3.9	4.9
Imports	2.3	1.6	2.4	4.7	5.8
Trade	2.2	2.4	3.0	4.3	5.4

Source: ADB Asian Development Outlook 2011

According to the ADB this rapid expansion is being driven by relatively high economic growth, the rise of production fragmentation and network trade, and a progressive dismantling of trade barriers.[84]

Together China and India account for almost half of total South-South trade. Much of the trade from these two Asian economic giants is linked to global production networks—where intermediate goods are traded between countries and value is added along the way, as part of a fragmented global process of production. According to the WTO, "In 2009, trade in intermediate goods was the most dynamic sector of international trade, representing more than 50 per cent of non-fuel world merchandise trade and 64 per cent of the total imports of the Asian region.[85]

The narrative of South-South trade as a major driver of development in the South is being pushed by various multilateral institutions including the WTO and the ADB. The further prospects for growth in SSEC have also been used to justify the prescriptions for further liberalisation and opening up of economies in the South.

However progressive trade analysts, such as Aileen Kwa of the South Centre, argue that "South-South trade is no magic panacea if conducted on exactly the same terms as North-South trade".[86] According to the WTO report, nearly half of China's exports are from EPZs while one-third of its imports were bound for such zones[87]. This means that the rise in South-South trade often hides issues around ownership. Around two-thirds of China's processing trade was undertaken by foreign-owned enterprises.

This is a view echoed by former UNCTAD chief economist Yilmaz Akyuz, who noted that "while there have been significant increases in all aspects -trade, investments, aid and development cooperation(...) further examination reveals [the] same patterns as North-South trade."[88] Akyuz points out, for example, that much of the growth in exports in East Asia praised as growth of South-South trade is closely linked to Sinocentric production networks:

> East Asia accounts for three-quarters of South-South trade and China's share is around 40 per cent. China also comprises close to 60 per cent of South-South imports in Asia and 58 per cent and 65 per cent of Asian Developing and Emerging Economies' imports from Africa and Latin America, respectively (ADB 2011). Again, the shares of other DEEs in South-South trade are small—for India it is around 5 per cent and for the rest of the developing world, including Latin America and Africa, it is around 25 per cent.[89]

According to Akyuz, "these [trade shares] imply that major Developing and Emerging Economies [DEEs] other than China, including India and Brazil, cannot act as a driving force for the South".[90]

BRICS DEVELOPMENT BANK

The decision to launch a BRICS Development Bank and the creation of a Contingent Reserve Arrangement (CRA) at the 5th Summit in Durban in March 2013 created a lot of buzz in development circles as to the potential impact these actions will have for development in the South.

At the sidelines of the September 2013 G20 meeting in Russia, the BRICS announced progress on both the creation of the BRICS-led New Development Bank (NDB) and the CRA. According to a media note:

On the NDB, progress has been made in negotiating its capital structure, membership, shareholding and governance. The Bank will have an initial subscribed capital of US$ 50 billion from the BRICS countries.

On the CRA, consensus has been achieved on many key aspects and operational details regarding its establishment. As agreed in Durban, the CRA will have an initial size of US$100 billion. Country's individual commitments to the CRA will be as follows: China US$ 41 billion; Brazil, India, and Russia US$ 18 billion each; and South Africa US$ 5 billion.[91]

Apart from the issue of the capitalization of the Bank, which has been pointed out as a possible point of tension considering the differing levels of development even within BRICS, with "China having the capacity to contribute $50bn on its own while $10bn from South Africa is substantial",[92] another big concern is how the NDB would differentiate itself from the operations of the major development finance institutions.

As BRICS analyst Caroline Bracht pointed out:

> The bank could also be considered a failure if it simply replicates the characteristics of the major development finance institutions, with rigid lending conditions and donor directed decision-making instead of being based on the needs of recipient governments. If the bank merely tries to trump the existing institutional architecture, it will prove to be redundant and fail to provide progressive services, to move the current development paradigm forward."[93]

The challenge according to Bracht is for BRICS to "find a way to balance the power and the relative capabilities of each country, based on their varying financial reserves and immediate development needs". [94]

The very nature of the NDB has already dampened optimism that the Bank could be a force for change and innovation. As Oliver Steunkel has pointed out, "despite occasional rhetoric about new paradigms, there is little so far that indicates that the ideas promoted by proponents of the BRICS Development Bank are truly innovative."[95]

Steunkel also stressed a point made earlier by Harvard economist Dani Rodrik:

> (...) [I]t is disappointing that [the BRICS] have chosen to focus on infrastructure finance as their first major area of collaboration. This approach represents a 1950's view of economic development, which has long been superseded by a more variegated perspective that recognizes a multiplicity of constraints—everything from poor governance to market failures— of varying importance in different countries.[96]

CONCLUSION

Trade and investments are key elements in the BRICS narrative. High growth, expanding trade, and increasing FDI inflows and outflows have made the BRICS significant players in the global economy. At a time when the most advanced economies were reeling from the impact of the global economic crisis, the recovery and the quick return to growth of the BRICS became an important stimulus that drove global economic recovery, and thus confirmed the group's position as a significant power bloc in an increasingly multipolar world.

The global trade and investment policy field is characterised by a multitude of international economic agreements—whether under the multilateral framework of the WTO, or under bilateral and regional arrangements. As such, it has become a major arena for the BRICS countries to assert their increasing role in global economic governance, and exert influence on key issues underpinning trade and investment policies.

In the WTO, Brazil, India, South Africa—and of late China—have become significant players in the long drawn out agenda to conclude the Doha Round. While their ascension to the "circle of power" has not completely shifted the balance of forces away from the agenda of the original quad—the United States, EU, Canada and Japan—it nevertheless represented an important counterweight that tempered the Quad's agenda, in the process emboldening other developing country groupings to come out and argue in the name of the development agenda.

The key question raised by the emergence of BRICS countries as premier trading powers, though, is what kind of power does the BRICS represent? Is it a status quo power that endeavours to protect the system, or a revisionist power aimed at pushing for an alternative vision of trade and economic policy? Clearly the individual countries that make up the BRICS, and BRICS as a group, have pushed a reform agenda within the WTO. To what extent this reform agenda will transform the WTO into a more development-oriented institution remains to be seen. As Brazilian diplomat and former trade negotiator Braz Baracuhy pointed out:

> This reform-oriented outlook can hardly be construed as an attempt to weaken the multilateral trade rules and structures. But what underlies this outlook is a new fact of international life in the process of reforming the trade regime—the tectonic shifts in the global balance of economic power from the bipolar economic world of the past, centred on the US-EU preponderance, into a much more complex multipolar economic world where the current trade regime established in the Uruguay Round is resting on the inertia of an economic power configuration that no longer exists. In the case of the WTO, the question is not whether the BRICS can accept the international trade regime, but rather whether established powers can accept an international trade regime based on rules that are no longer tailor-made to their interests and concerns; whether they can live with an effectively levelled playing field.[97]

Another important question that repeatedly comes up is to what extent this emergence will solidify a South-South development agenda beyond rhetorical flourishes and token political statements.

As we have seen, while the economic rise of the BRICS group has indeed contributed to the increase in South-South trade and economic cooperation, the patterns of this increasing relationship with the rest of the South more or less follow the same trajectory of North-South relations. The expansion of trade—including South-South—is being built through global production networks dominated by economies like that of China, and to a lesser extent India, as key hubs in a fragmented production chain in which transnational corporations and FDI are a driving force.

In this sense, the initial steps taken by the BRICS on trade policy do not suggest any significant departure from a global trade model that has yielded great profits for a few major transnational companies, but witnessed a race to the bottom in term of wages, working conditions, and environmental protection.

Endnotes

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SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER SEVEN

THE EMERGING ECONOMIES AND CLIMATE CHANGE

A CASE STUDY OF THE *BASIC* GROUPING

PRAFUL BIDWAI

The Emerging Economies and Climate Change:
A case study of the *BASIC* grouping

PRAFUL BIDWAI*

Among the most dramatic and far-reaching geopolitical developments of the post-Cold War era is the shift in the locus of global power away from the West with the simultaneous emergence as major powers of former colonies and other countries in the South, which were long on the periphery of international capitalism. As they clock rapid GDP growth, these "emerging economies" are trying to assert their new identities and interests in a variety of ways. These include a demand for reforming the structures of global governance and the United Nations system (especially the Security Council) and the formation of new plurilateral blocs and associations among nations which seek to challenge or counterbalance existing patterns of dominance in world economic and political affairs.

BASIC, made up of Brazil, South Africa, India and China, which acts as a bloc in the negotiations under the auspices of the UN Framework Convention on Climate Change (UNFCCC), is perhaps the most sharply focused of all these groupings. Beginning with the Copenhagen climate summit of 2009, BASIC has played a major role in shaping the negotiations which were meant to, but have failed to, reach an agreement on cooperative climate actions and obligations on the part of different countries and country-groups to limit and reduce greenhouse gas emissions. These emissions, warn scientists, are dangerously warming up the Earth and causing irreversible changes in the world's climate system.

Long, complex and tortuous, the climate talks – termed the most important negotiations ever to take place in world history – could determine the survival and well-being of humanity for centuries to come. Already, BASIC has clearly altered the UNFCCC negotiations field and the relative weights of its major players. How it deals with the substantive issues at stake, and how its climate diplomacy develops, will have historic consequences for the success or failure of the climate talks, and in the long term, our planet.

BASIC's DUAL AGENDA

The BASIC countries are four disparate entities, obviously dissimilar in many respects in their domestic characteristics and priorities. Even their international negotiating agenda is, bluntly put, Janus-faced, with contradictory features. The "positive" aspect of the agenda – interpreted charitably, but rarely stated in such explicit terms by BASIC itself – is to act as a bridge between the industrialised North and the developing South in the climate negotiations; defend equity in climate actions and burden-sharing against Northern pressure; and demand a legally binding global climate agreement. Until recently, this last took the form of demanding an extension beyond 2012 of the Kyoto Protocol, which despite its flaws and limitations, has been the world's sole legally-enforceable agreement to reduce greenhouse gas emissions.

The "negative" or conservative and "inward-looking" aspect of the agenda aims at resisting binding climate obligations or quantitative caps on the BASIC countries even at the cost of promoting an ineffectual climate agreement – so as to maintain their present, unsustainable, domestic pattern of elite overconsumption and continue with their emissions-intensive high GDP-growth path. One could argue that the positive aspect is merely a cover for the negative one.

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There are many uncertainties over the unity and future course of BASIC and its negotiating priorities and strategies. As we see below, two of its key members, China and India, are already trying out a parallel or "outreach" approach based on the newly set up Like-Minded Developing Countries group, which includes some important oil-producing countries, but excludes Brazil and South Africa. Will this succeed in strengthening and broadening the BASIC agenda and reuniting the G77? Or will it weaken it and sow discord and disunity within the BASIC bloc? There are no clear answers to these questions, but they need to be asked in ways which allow an informed debate and at least intelligent speculation.

The BASIC countries derive their strength and political leadership in part from the legacy of the G77, originally set up in the mid-1960s as part of an agenda to promote equality between the South and the North and a New International Economic Order. The group was founded at the first UN Conference on Trade and Development (UNCTAD) in 1964. Its strength has since grown to 133, a majority of the world's nations.

The G77 – or more accurately, G77 plus China, which is formally not a member but a close associate and always works in coordination with the members proper – has acted as the main negotiating group for the South on environment and development issues in all major UN forums, including the Stockholm Conference of 1972 on the Human Environment, processes leading to the Rio de Janeiro summit of 1992, the creation of the UNFCCC, and the World Summit on Sustainable Development in 2002.

PRINCIPLE OF DIFFERENTIATION

The G77 has played, with other sub-groups and regional alliances, a significant role in various multilateral negotiations, including those on trade, development, social issues such as gender, population and race, and United Nations reform. Over the years, it successfully introduced in the founding principles and operational practices of these organisations and forums the right to development as an indisputable right and the notion of differential responsibility between the North and the South, arising from their disparate starting points and levels of development.

The G77 also played a pivotal role in drawing up the ground rules of climate negotiations under the UNFCCC and these notions and concepts became enshrined in the Convention as the principle of "common but differentiated responsibilities and respective capabilities" (CBDR). This demarcates the North's climate obligations from the South's and casts a heavier burden of responsibility on the industrially developed countries, called Annex 1[1] under the Convention, in keeping with their higher contribution to global warming and climate change.

When the BASIC group was formed in 2009, the four countries claimed to have anchored themselves within the G77, and saw themselves as part of it. Even before the bloc's formal establishment, they had acted as an informal component or subgroup inside the G77. However, the very creation of the BASIC bloc soon triggered complications for the G77, on which more below.

The G77 legacy allowed the BASIC countries to claim a special relationship with the South's developing nations. However, three of the BASIC countries – China, India and Brazil – are unique in terms of their size and clout compared to other developing nations: together they represent about two-fifths of the globe's population, and almost one-fifth of its GDP.[2] For more than two decades, they recorded much higher rates of growth than the rest of the world. The Great Recession, which began in 2008, has significantly slowed their economies, but taken as a collective, their growth remains more robust than that of the US, the European Union or Japan. This is especially true of China, whose GDP growth hovered around 10 per cent throughout the 2000s and is presently around eight per cent.[3]

REGIONAL GIANTS, GLOBAL PLAYERS

Individually, each BASIC country is a major regional power. China, Brazil and South Africa all account for over 30 per cent of their respective region's total GDP. In China's case, the proportion is 35 per cent, a significant slice in a region that comprises all of East Asia and the Pacific, including Japan. India's share in South Asia's GDP is even higher, at 80 per cent.[4]

Yet, BASIC members all claim to be developing countries and assert their right to economic development as incontrovertible and of paramount importance, especially as regards to eradicating domestic poverty, which is significant to high in all of them. But, their large and fast-growing economies, ever-increasing rates of energy consumption, and relatively high current greenhouse gas (GHG) emissions (which are rising much faster than the global average) set them apart. They also have a greater financial and technological capacity for climate actions than the vast majority of G77 members.

According to the International Energy Agency (IEA), the BASIC countries collectively accounted for 32 per cent of the global total of carbon dioxide emissions from fuel combustion in 2010.[2]

According to the IEA, Brazil's estimated emissions for 2010 were about 390 million tonnes, up 100 per cent over 1990; South Africa's were close to 350 million tonnes, up 38 per cent over 1990. BASIC's two biggest players registered even more rapid growth between 1990 and 2010: Chinese emissions more than tripled, spurting by 224 per cent to over 7,200 million tonnes, and India's emissions rose by 179 per cent to over 1,620 million tonnes. By contrast, the world's overall CO_2 emissions growth in 1990-2010 was a more modest, but still dangerous,44 per cent.

China currently accounts for 24 per cent of global emissions (compared to the United States' 18 per cent), while India is responsible for a little over 5 per cent. The IEA expects China's emissions to rise annually by 1.4 per cent till 2035, reaching 40 per cent higher levels than at present. India's emissions are projected to grow at a much faster 3.5 per cent a year. By 2035, EIA expects energy consumption by 2035 to increase 84 percent in nations such as China and India that sit outside of the Organisation for Economic Co-operation and Development.

At the same time, however, the BASIC nations are markedly different in economic structure, consumption patterns and emissions profiles from the industrialised countries of the North. The differences are particularly glaring if historical or cumulative emissions are considered. The North accounts for about three-fourths of the carbon dioxide accumulated in the atmosphere since the Industrial Revolution. The US alone accounts for 29 per cent of the world total, and the European Union's 25 members are responsible for 26.5 per cent. By contrast, taken together, the BASIC states account for just 12 per cent of cumulative historical emissions.[6]

Yet, because of their economic strength and rapid growth, and particularly because of their current and likely future GHG emissions, as well as the urgent need to make global emissions peak by the end of this decade, the BASIC countries have been under rising pressure to reduce their greenhouse gas emissions. This pressure comes both from the industrialised North and from some countries of the South, especially those more vulnerable to climate change such as the small island states.

The pressure grew especially after 2007, when China surpassed the United States as the world's biggest GHG emitter, and India overtook Japan to become the world's fourth largest emitter. [7]

GROWING PRESSURE FROM THE NORTH

Another source of pressure was the launch of a series of summit-level plurilateral meetings of the major and emerging powers at the initiative of the G8. Thus began the G8 plus Five Dialogue on Climate and

Energy in 2005, attended by China, India, Brazil, South Africa and Mexico. In 2007, then US president, George W. Bush convened the Major Economies Meeting on Energy Security and Climate Change, which was soon converted into the Major Economies Forum on Energy and Climate.

The meetings of the Major Economies Forum on Energy and Climate treated all their participants more or less equally as major emitters, without much differentiation in their contribution to climate change and certainly with no acceptance of principles such as CBDR. In this forum, the BASIC countries felt the heat as terms such as "advanced developing countries" and "major economies" were bandied about. Principles like CBDR, their US interlocutors told them bluntly, would no longer apply to their category of countries. According to Indian diplomats, the G8, including Russia – now recovering from a long slump, buoyed up by a commodities boom – were fairly united in mounting pressure on the Five for ambitious climate actions.

External pressure was among the main factors that catalysed the four countries to coordinate their climate negotiations policies and activities more closely in the lead-up to the Copenhagen conference of December 2009, officially called the 15th Conference of the Parties to the UNFCCC (COP-15). But it was not the sole factor. The commonalities and overlapping of mutual concerns highlighted during these meetings and the UNFCCC climate talks, and their ambitions to play a greater role in world affairs, also impelled the four governments towards forming a bloc.

Another major factor that facilitated this process was a political thaw between China and India since the late 1980s, and particularly from mid-1996, which not only resulted in agreements on peace and tranquillity along the (disputed) border and increased trade, but greater coordination in the climate negotiations. Ministerial visits were exchanged in 2009, which produced the "Sino-Indian Memorandum on Climate Change" in October that year, only weeks before the Copenhagen conference. The would-be BASIC countries were also apprehensive that the Danish Chair could start a parallel negotiation at Copenhagen at the behest of the Northern countries, with a view to "ambushing" them.[8]

All these factors, bolstered by the mutual trust generated within the India-Brazil-South Africa (IBSA) group[9] through prolonged interaction and consultation on a range of issues since 2003, clinched the decision to set up BASIC.

The BASIC countries were keen that they should not be seen as having broken ranks with the G77. Their environment ministers started meeting every quarter and also during UNFCCC conferences to share information and exchange views. After the Cancun climate conference of 2010, they invited to the meetings the Chair of the G77, and a representative each from the Alliance of Small Island States (AOSIS) and from the Least Developed Countries (LDCs) or the Africa Group. The joint statements issued by BASIC environment ministers usually signal common points of relevance for immediate negotiations and input/orientation to discussions within G77 as well as to developing-country negotiating partners.[10] However, BASIC-G77 interactions have tended to be more symbolic than substantive, as the Copenhagen, Cancun, Durban and Doha climate conferences showed.

Why did the four countries that were to form BASIC not try to rope in Russia, which shares within the BRICS framework their concern to limit US, and in general Western, dominance in the world? To start with, unlike BASIC, Russia is an Annex 1 country under the UNFCCC,and hence on the other side of the climate divide. Nor does it share with the BASIC group the developing-country G77 legacy or their commitment to CBDR. The history of Russia's negotiating positions in the UNFCCC is also markedly different from theirs.

Russia's stiffening opposition to the Kyoto Protocol sets it apart from BASIC. Russia stands to gain from the first phase (called "commitment period" in the legalese) of the Protocol, which ended in December 2012. It has no effective emissions reduction obligations under this, and in fact stands to profit from the surplus emission (known as "hot air") permits it has gained because of the severe contraction of its economy following the collapse of the Soviet Union economy around the time the Climate Convention was negotiated.

But Russia could lose a good deal if the effectiveness of the Protocol is extended through a second "commitment period" (KP-CP2) under which it is asked to accept significant emissions reduction obligations. So Russia opposes a KP-CP2 while BASIC strongly support and canvass for it.

COLLUSION WITH THE *US* AT COPENHAGEN

However, it would be a mistake to assume that a great deal of deep deliberation and policy analysis leading to a tight consensus went into the formation of BASIC. It developed its common positions on an *ad hoc*, rather than a principled and well-considered basis both before and at the Copenhagen climate conference and indeed, to a large extent, beyond it.

The principal rationale underlying these positions was, first, to resist any dilution of the CBDR principle, and second, to refuse and avert any legally binding quantitative commitments to reduce their own GHG emissions in the foreseeable future, even if this would result in a weak and ineffectual climate regime falling far short of what is necessary to stabilise the climate. In this second objective, the four found an ally in the US, which also does not want legally binding emissions obligations.

Their common interests became evident at the Copenhagen conference. BASIC played a decisive role in forging its outcome, the Copenhagen Accord, drafted jointly with the US in closed-door talks in the last hours of the conference, when President Obama famously walked into a small informal meeting where BASIC's top leaders were present. The five states –representing some of the world's biggest historical, current and future emitters – hammered out the Accord.

It was not only the G77 that was excluded from the talks, but also the European Union and other Annex 1 countries. Despite this, the EU lined up behind the Accord. Also excluded were the least developed countries (LDCs) and Alliance of Small Island States (AOSIS) and all the regional groupings. The Accord was accepted by another 20-odd states of the 193 present at Copenhagen. However, because of the objections of a number of states, it was not formally adopted by the COP, but in the months following more that 120 countries "associated" themselves with the Copenhagen Accord.

The Accord was a radical departure from the science- and equity-based approach followed earlier, including the Bali Action Plan of 2007, to arrive at differential obligations in keeping with the CBDR principle. Although the Accord recognised "the scientific view that the increase in global temperature should be below 2 degrees Celsius", it specified no date on the critical issue of when GHG concentrations must peak. Nor did it set global, country- or group-specific emissions quotas in keeping with the requirements of climate science.

Instead, the Accord adopted a voluntary approach, paving the way for individual states to write their own mitigation pledges in future UNFCCC documents and conferences in keeping with considerations of expediency and the least possible burden. The only condition was that progress in meeting individual country pledges would be monitored – a version of the US-advocated "pledge and review" approach. Ultimately, the Annex 1 countries, as we see below, wrote far weaker pledges than developing countries. And the BASIC countries ended up accepting far more onerous commitments than their industrialised counterparts.

BULLYING AND BRIBING THE VULNERABLE

By co-sponsoring the Copenhagen Accord, the BASIC countries contradicted their own stated position as part of the G77 bloc, which had explicitly demanded in a resolution an equitable top-down agreement that would impose differential obligations upon different countries, including deep emissions cuts on Annex 1 countries "in line with what the science requires". The G77 demanded that the Annex 1 "stand firmly in the [Kyoto Protocol]" and "engage seriously in negotiations for a second commitment period" for it. The G77 warned that it would "consider the Copenhagen COP meeting to be a disastrous failure" if there is no agreement on this. BASIC broke ranks with the G77, effectively splintering the group, although it continued to pay lip service to South-South solidarity.

WikiLeaks disclosures, released in December 2010 while the next UNFCCC conference was in progress, at Cancun, showed that the US used "strong-arm" tactics and bribery in 2009 to win a series of concessions in the run-up to Copenhagen and beyond, especially from vulnerable Southern countries, such as AOSIS and the LDCs.

The US sought and obtained damaging intelligence on Southern diplomats so as to discredit or blackmail them. Some cables from the US Embassy in Brussels described meetings between US Deputy National Security Adviser for International Economic Affairs Michael Froman and top EU officials as they plotted to influence Southern governments and cynically exploited the financial needs of the AOSIS countries in particular. Michael Froman told his European colleagues that the Western countries "needed to work much more closely" together to counter the increasing influence of India and China and "avoid future train wrecks on climate, Doha [trade talks] or financial regulatory reform". A cable from the US Embassy in Brussels in February 2010 said EU officials welcomed Froman's call to "push back against coordinated opposition of BASIC countries ... It is remarkable how closely coordinated the BASIC group of countries have become in international fora, taking turns to impede US/EU initiatives and playing the US and EU off against each other", the cable quoted Froman as saying in talks with EU officials. "The US and EU need to learn from this coordination... to better handle third-country obstructionism and avoid future train wrecks..." [11]

THE GIGATONNE GAP

The pressure and blackmailing tactics helped shift the climate agenda in favour of industrialised nations. The developing countries caved in and accepted in principle that they would submit their voluntary mitigation actions to "international consultations and analysis". By the time of Cancun, formally stated legal opposition to the framework of the Copenhagen Accord had been reduced to one sole dissenting voice, that of Bolivia. A weak but at least binding international regime had been replaced by an empty voluntary statement of intentions.

Moreover "international consultation and analysis" (ICA) requirements on developing nations had been increased. Even though it is not as stringent as the Measurement Reporting and Verification (MRV) requirements for developing countries that are financially supported by the North, ICA allows Northern governments to scrutinise and comment upon Southern governments' mitigation actions even when they are not financially supporting these.[12] The Northern countries' climate actions are subject to a different, weaker, process, of scrutiny from ICA, called International Assessment and Review (IAR). Given the unequal technical capacities of the developed and developing countries, this further increased North-South climate inequity and emboldened some Annex 1 countries to adopt more aggressive postures in the climate talks.

This became evident as different countries wrote out their voluntary pledges at Cancun and after. These fall grossly short of what is needed to avert a climate catastrophe. If the world is to limit global warming to 2 degrees Celsius by the end of the century, which is the highest climate scientists say the Earth can tolerate, global GHG emissions must peak by 2013 or so and decline thereafter.[13] [14]

However, thanks to the failures of the UNFCCC process, including the Copenhagen Accord, the mitigation pledges of the world's nations do not remotely measure up to this. A huge "gigatonne gap" stares the world in the face. This is the difference between the likely global emissions total after the cuts pledged by various governments, and what is necessary to cap atmospheric GHG concentrations and keep global warming at *relatively* safe levels. The major nations lack the political will to get out of their fossil fuel addiction and embrace low-carbon development.

As of now, total voluntary emissions reduction pledges add up to only about 60 per cent of the cuts needed by 2020 to limit global warming over the 21st century to 2° C. Even these pledges are ambivalent, or hedged with all manner of conditions and varying degrees of leniency in the application of accounting rules. Since the pledges are voluntary, there is no assurance that they will be translated into action. The past record in this respect is dismal, even where, as in the case of the Kyoto Protocol, legally binding commitments were involved.[15]

Even assuming the best scenario, in which all the pledges made after the Copenhagen summit are implemented, there will still be a substantial deficit of the order of eight gigatonnes (Gt) in relation to the critical threshold. In worse scenarios – where countries follow their lowest ambitions, and accounting rules are lax – the gap would rise to 13 Gt. In the extreme case, the pledges could even permit emissions to *exceed* the business-as-usual (BAU) projections, with frightful consequences.

DEVELOPING COUNTRIES PLEDGE MORE THAN DEVELOPED COUNTERPARTS

An odious feature of the emissions reduction pledges is the gross disparity between rich and poor countries that further entrenches climate injustice. The Annex 1 countries' pledges range from almost nothing to a collective maximum of 3.8 Gt by 2020, depending on the level of ambition expressed, the conditions included (for example, a new legally binding deal which includes China and India), and the leniency or strictness with which accounting rules are applied.

By contrast, according to UNEP's estimate, the developing countries' pledges for 2020 range from roughly 3.6 Gt to 5.2 Gt. The developing countries collectively pledge 37 to 220 per cent *deeper* emissions cuts than the developed countries. This is horribly iniquitous.[16]

Even the BASIC countries have not succeeded in averting ambitious pledges for themselves. The Stockholm Environment Institute has done a meta-analysis which shows that the non-Annex 1 top polluters, including China, India, Brazil, South Africa, Indonesia, Mexico and South Korea have made far higher pledges than the top six polluters of the North, including the US, the European Union, Japan, Russia, Canada and Australia. The differences, depending on ambition levels, conditions imposed, and leniency of accounting, range from about 40 per cent to 300 per cent plus.

At the end of the day, the Annex 1 countries have totally failed to fulfil their climate obligations in keeping with the Climate Convention. Both the G77 and BASIC rightly pointed this out and demanded more from the Annex 1, including a second commitment period for the Kyoto Protocol, after the first phase ran out in 2012.

The Durban and Doha Conference of Parties (COPs) failed to breathe life into the Protocol and instead launched negotiations on an altogether new track, where all countries – irrespective of their level of economic development or contribution to global emissions – will have to undertake climate obligations. In effect, the CBDR principle at the heart of the Climate Convention has been bypassed, if not altogether gutted.

AMBITIOUS DOMESTIC PLANS

In their domestic programmes, the BASIC countries have over the past few years been trying to reduce the energy and carbon intensity of their production, promote renewable energy, and develop clean technology sectors. Their starting point, of course particularly for China, India and South Africa, is that their economies are deeply wedded to coal and an ideology of rapid economic growth. This explains why they are also the cause of the main current growth in emissions today. Nevertheless, it is significant that China, India and Brazil have become the South's leaders in driving the Renewable Energy Revolution now under way in the world. The South now hosts *53 per cent* of the global generation capacity in "new renewables" such as solar and wind.[17]

The South's emergence in wind power is especially strong. It is overtaking Europe, which about a decade ago became the main driver of the world wind market because of favourable domestic policies. By 2009, more than three-quarters of the additional capacity installed globally was outside Europe.

China now has the world's highest capacity in new renewables, and India the fifth largest. China ranked second in the world in new capacity investment in renewables in 2009. India ranked fifth both in total wind power installed and wind power added in 2009. China now produces 40 per cent of the world's solar PV supply, 30 per cent of wind turbines (up from 10 per cent in 2007), and 77 per cent of solar hot-water collectors.[18] China added 37 GW of renewable power capacity, more than any other country in the world, to reach 226 GW of total renewables capacity.[19]

Developing countries now account for over half of all countries with some type of renewable energy promotion policy (42 out of 83 countries), and they also make up half of all countries with specific policy targets (45 out of 85 countries).[20] This new geography of renewable energy points to a very different energy development model from the past, when the North maintained its dominance for decades, and the South merely followed. It also injects, at least potentially, a new element of equity into the global energy scenario, with hugely interesting possibilities, on which more later.

All the BASIC countries have made voluntary pledges to reduce either the emissions intensity of their production or their emissions in absolute terms by 2020. For instance, China has offered to reduce the emissions intensity of its economy by 40-45 per cent (from its 2005 level by 2020), and India by 20-25 per cent (over the same time-span, barring in agriculture.) Similarly, Brazil and South Africa have made emissions reduction pledges exceeding 30 per cent in relation to business-as-usual scenarios.

These pledges stand in contrast to the North's failures to take climate actions that are proportionate to its responsibility for causing climate change. However like the North's major emitters, these pledges are premised upon certain conditions and in the case of South Africa at least based on a scenario that even government officials admitted was "neither robust nor plausible."[21] They certainly do not mark a clear departure from the BASIC countries' obsession with GDP growth along a Northern-biased model. They also fall well short of what is needed. To improve on it, they must effect a paradigm change in their model of development, in particular, energy use, such that peoples needs and rights are met in an equitable manner and within ecological boundaries.

BASIC COUNTRY CHARACTERISTICS AND INTERNAL DIFFERENCES

The BASIC countries form a negotiating bloc in the UNFCCC and by and large work together. But they are four different countries with divergent characteristics, priorities and strategies. Their economies differ widely in size and sectoral composition, as do their emissions profiles. China is unique as a highly industrialised export-oriented economy, with total emissions rising at almost twice the global rate. South Africa's and Brazil's per capita emissions are of the same order as the EU-15's, and China's are nearing that level, while India's are close to the LDCs' emissions.

Tonnes CO_2e per capita (including land-use, land-use change and deforestation) for 2010

Brazil	10.96
China	7.54
India	1.88
South Africa	11.20
Australia	33.38
France	8.17
Germany	11.33
UK	10.06
US	21.90

Source: CAIT 2.0: WRI climate data explorer. Accessed 28 October 2013.

BRAZIL

Brazil, endowed with rich forests, has a relatively clean energy profile and derives 45 per cent of its primary energy from renewable sources, compared to 13 per cent globally. Three-fourths or more of the country's electricity comes from hydropower, including a growing number of controversial mega-dams. Brazil's energy-related per capita emissions are just about 5 tonnes of CO_2-equivalent, the world's 17th lowest. But if land-use and forestry-related emissions are included, Brazil becomes the world's fourth-highest emitter, with per capita emissions of 12 tonnes, higher than EU-15's.[22]

A critical climate issue in Brazil is deforestation, which it pledges to tackle with a plan to reduce GHG emissions by 36 to 39 per cent by 2020 in relation to business-as-usual. At the same time, however, Brazil has embarked on agro-industrial expansion in savannah lands, which is leading to an increase in emissions. Brazil is distinguished from other BASIC states by its emphasis on an agreement on reduced emissions from deforestation and forest degradation (REDD), and by its openness to a climate deal with binding targets provided finance and technology are made available by the North. Within BASIC, Brazil is described as "cautious" even the "odd party", in not rejecting binding commitments, as China and India do.

Brazil's participation in BASIC "appears to be propelled by a growing awareness that it may well have to negotiate concrete targets and commitments soon, and thus it may be better off joining forces with those in a similar situation to develop a joint agenda and shared priorities." However, given its "particular climate change priorities", Brazil could be "interested in joining other groupings if that served its purposes better." [23]

Brazil hosted the 1992 Rio summit and also the Rio+20 conference in June 2012, which have given it a positive independent profile, but also made for a less activist role within BASIC. Contradictions in its domestic policies may also be inhibiting its capacity to take a leading role in climate negotiations, given the enthusiasm with which Petrobras, the state-owned oil company, is seeking and finding massive new oil reserves, and the environmentally destructive and emissions-producing expansion of agro-industry and agro-fuels. [24]

SOUTH AFRICA

South Africa, which hosted the COP 17 in Durban in 2011, is marked by high energy-related emissions (almost 80 per cent of the total), with heavy dependence on coal for three-fourths of its primary energy supply. According to the International Energy Association (IEA), unless South Africa makes radically new energy choices its emissions will quadruple between 2003 and 2050.

South Africa's per capita emissions (2005) are about nine tonnes of CO_2-equivalent, in the same order as those of the EU-27 and almost double the BASIC average. This is not only attributable to the energy-intensive character of the country's industry, but also its dependence on exports and its high levels of elite overconsumption in one of the most unequal societies in the world. South Africa drew up a National Climate Change Response Green Paper and is considering the levying of an economy-wide carbon tax. At Copenhagen, South Africa pledged a 34 per cent reduction in its emissions below business-as-usual in 2020 and 42 per cent by 2025 provided financial, technological and capacity-building support is made available.

South Africa sees its participation in BASIC as "a vehicle for international recognition and clout". The country "has been eager to portray itself as a strong and stable economy, and a partner for African investment. A 'developing country identity' does not always suit this purpose, whereas cooperation with major emerging economies sends a signal to foreign investors that South Africa is in a different league."[25]

At the 2011 Durban conference which South Africa hosted, it together with Brazil broke ranks with the formal BASIC position to say it would be willing to accept mandatory cuts. In late 2013, South Africa formally stated that the new global agreement on climate change (to start in 2020) should be in the form of a protocol with targets, commitments and actions for all parties – Annex 1 and developing countries.

Nevertheless, the South Africa government has a long way to convince its own civil society groups that it is paying more than lip service to climate concerns. Climate Justice Network South Africa were particularly scathing of South Africa's record in the run-up to the Cancun conference:

> "South Africa is a prime example of what countries across the globe are doing. Talking green and attempting to co-opt the language of climate justice, but whose investment decisions are overwhelmingly in the fossil fuel industry; South Africa's own energy plan (IRP2) for the next 30 years involves an expansion of coal-fired power stations, both publicly and privately owned. Follow the money; the road to environmental collapse is paved with state money for cheap power for multinational corporations."

INDIA

India has the largest number of absolutely poor people of any country of the world, estimated at 40 per cent-plus of its population of 1.2 billion. But they account for a tiny proportion both of India's total GHG emissions and of the 58 per cent increase in its emissions that occurred between 1994 and 2007.[26] Because of its 7,500 kilometre-long coastline, vulnerability to cyclones on the East Coast, the dependence of its major river systems on the Himalayan glaciers (which are melting rapidly), and loss of forests and wetlands, India is especially vulnerable to climate change.

India's annual per capita emissions are low at 1.9 tonnes and only about one-third of the world average. This number reflects not so much the efficiency of the economy or frugal use of energy, as the prevalence of huge rich-poor disparities and lack of access to electricity for two-fifths of the population.[27]

More than half of India's emissions are accounted for by the energy sector. Sixty-eight per cent of India's electricity comes from coal, and another 12 per cent from gas. Although renewable energy generation, especially from wind turbines, is growing, it still remains small in comparison to energy from fossil fuels.

Inda's GHG emissions are projected to grow at a high 3.5 per cent a year, and the country will double its share of total global emissions by 2035 from 5 per cent (in 2010).

India drew up a National Action Plan on Climate Change in 2008, with eight "missions" dealing with different categories, from promoting solar power and energy efficiency, to agriculture, water and the Himalayan ecosystem. This was done in haste, and driven by an anxiety to ward off international pressure for a more proactive climate policy. Some of these "missions" have not yet been finalised or fully fleshed out. The most significant are the solar and energy efficiency missions.

India is a strong advocate of multilateralism in climate matters and boasts of a leadership role in the G77, although this has been weakened by BASIC's formation and evolution. India categorically refuses binding climate obligations, strongly insists on equity and the CBDR principle, and demands equal per capita entitlement for every person to global natural resources. The only constraint India accepts on its emissions is that they will never exceed those of the North in per capita terms.

India is credited with having played a proactive role in brokering the Copenhagen Accord and in breaking an impasse at the Cancun conference over international verification of the South's actions by agreeing to ICA, discussed above. At Cancun, India also worked with non-BASIC countries to insert the phrase "equitable access to sustainable development" in the Shared Vision text – a milder formulation than "equitable access to carbon space", which invokes rights and entitlements.

CHINA

China, the world's second largest economy and its most populous country, and its largest exporter, is in a special category of its own, and will have a make or break impact on the climate. Sixty-seven per cent of China's energy consumption comes from coal and 17 per cent from gas. The world's fastest growing economy for more than 20 years, China is scouring the world for natural resources, including land, oil and gas.

China is also investing heavily in renewable energy. It is the world's top producer of solar-photovoltaic cells and modules. At present, the majority is exported however the domestic market is anticipated to grow under current energy plans. Lately, China became the world's greatest installer of wind turbines with a a capacity reaching 62,733 megawatts in 2011.

China launched its *Medium to Long-Term Renewable Energy Plan* in 2007 mandating an enlargement of the share of renewables in the total energy mix from 5 per cent in 2005 to 15 per cent in 2020. This has already been exceeded: in 2012, 25 per cent of China's generated electricity came from "renewable" sources, although hydro provided more than 20 per cent while wind and solar combined contributed less than 5 per cent.[28] Post-Copenhagen, in early 2010, China announced its UNFCCC pledges to reduce carbon dioxide emissions per unit of GDP by 40-45 per cent by 2020 compared to 2005 levels, raise the level of non-fossil fuels in primary energy consumption to 15 per cent, and increase forest coverage by 40 million hectares.[29]

China has been under growing pressure to take a more proactive and "responsible" stand in the UNFCCC negotiations as an economic superpower, but continues to see itself as a developing country, which must, as Deng Xiaoping decreed in the early 1990s, "bide our time and build our capabilities".[30] China tries to reduce its vulnerability on the climate change issue by seeking support and cover from its BASIC colleagues on resisting stringent climate action commitments.

BASIC's LIMITATIONS & RELATIONS WITH THE *G77*

The BASIC grouping only emerged recently and has not yet fully evolved its cohering principles, structures, procedures and positions. It is not easy to divine from BASIC ministerial statements what the group considers to be the critical fault-lines in the negotiations, and how its individual members will act. For instance, what galvanised the deal at Cancun in December 2010 was not only an agreement on continuing with the

Copenhagen voluntary pledges, but also on the International Consultation and Analysis (ICA) process of scrutiny of the South's climate actions. BASIC and many G77 members had earlier resisted ICA, but caved-in at Cancun.

Certainly BASIC nations can no longer count on full support from the G77. The South's smaller countries, especially the LDCs and SIDS, no longer feel the sense of solidarity with the big emerging countries as they earlier did. They know that BASIC has graduated to another league and they expect its members to take on climate-related obligations. India has four LDCs in its neighbourhood – Afghanistan, Bangladesh, Bhutan and Nepal – and feels the heat from them on the climate issue. The smaller, poorer countries of Southeast Asia, Africa and Latin America have rising climate-related expectations from China, South Africa and Brazil.

The result has been that G77 has splintered and spawned other smaller blocs and groupings such as the Least Developed Countries group (LDCs), AOSIS (Alliance of Small Island States) and SIDS (Small Island Developing States), besides BASIC.

EU SHIFTS THE DURBAN GOALPOSTS TO CORNER *BASIC*

Some Northern countries, not least the US, have also been pushing the smaller of the G77 states to demand more from BASIC than from the Annex 1 countries. This became starkly evident at Durban and Doha, where a concerted effort was made to isolate BASIC and sideline the CBDR issue. At Durban, the EU deviously shifted the goalposts by dropping its earlier demand for Kyoto's unconditional extension post-2012, to making the extension conditional upon an agreement under which all countries would accept climate obligations under a new deal to be signed by 2015. The EU effectively abandoned its earlier alliance with G77 states and its emphasis on deep emissions cuts. It managed to mobilise AOSIS and the LDCs behind itself and to form a numerically strong group to corner the BASIC countries and push them into making commitments that will effectively dilute CBDR. This helped the North delay urgently needed climate actions.

A peculiar, albeit transient, convergence of interests, lubricated by money and coercion, emerged at Durban between these two disparate groupings. Scarcely disguised offers of "financial assistance" were made if the vulnerable island states fell in line, opposed a second commitment period for the Kyoto Protocol, and targeted BASIC. Japan even announced a special workshop on concessional finance for the LDCs.

At Durban, intra-BASIC differences widened. South Africa and Brazil were willing to accept binding commitments, but not China and India. South Africa, the conference host, was keen to declare it a success by supporting the EU-led bloc. At the last moment, China indicated "flexibility" by offering to accept binding commitments on certain conditions, which were most unlikely to be fulfilled. But China's move highlighted its differences with "inflexible" India, which got isolated the most of all.

BASIC did not split or disintegrate at Durban, but its lack of internal cohesion and policy coherence became evident. The BASIC Expert Forum, set up to provide decision-makers critical policy and technical inputs, has not risen to the task. At Durban in 2011, it released a joint document but this revealed that sharp differences remain, for example, between India and South Africa on the "burden-sharing" and carbon space "entitlement" approaches to equity in climate matters.

The key outcome of the conference, "The Durban Platform for Enhanced Action", will delay all serious climate change mitigation actions beyond 2020, and ensure 3 to 5 degree Celsius global warming, instead of the 1.5-to-2 degree threshold (over preindustrial temperatures) that the earth can tolerate. Durban was a big setback and continued the retrogression begun at Copenhagen. BASIC is right to criticise the Durban Platform as lacking in emphasis on equity and CBDR.

Ironically, however it is the BASIC countries that paved the way for this outcome through a serious weakening and splintering of the G77 with whom they first broke ranks at Copenhagen and Cancun for narrow self-serving reasons. At Durban, and later, once the consequences became obvious, BASIC tried to limit the damage. The most important initiative on their part was an effort to rebuild the G77 as a consulting and negotiating forum. In this effort too, there seems to be no unanimity within BASIC.

The most recent climate talks in Warsaw in 2013 did not lead to any significant changes or new positions by BASIC. The talks have essentially been stuck in a 'holding pattern' for the last three years with less than substantive promises to negotiate a new deal in 2015 that would be operational from 2020. The Warsaw COP final agreement stuck to a familiar compromise that rejected calls for "legally binding treaty under international law" in favour of "contributions" and also kicks the profound difference on the issue of common but differentiated responsibilities down the road. The hard-fought for Warsaw Agreement Mechanism on Loss and Damage for Climate Change Impacts also has little of substance in terms of funding and rejects the idea of compensation, a red line for the US. These look likely to be ongoing sticking points, and no doubt will cause more conflict and division at future COPs in Lima in 2014 and Paris in 2015.

The likely conduct of the different members of BASIC in the near future will be influenced by disparate factors, the most important being their recent economic slowdown, which strengthens climate nationalism or conservatism. South Africa will probably continue to play a conservative role, as it did earlier as the chair of the 2011 Durban climate conference. Brazil is reportedly in the process of qualifying or diluting its reductions offer and is unlikely to bring a proactive agenda to the table.

China recently approved its 12th Five-Year Plan, and has undertaken extensive leadership overhaul. Whether this will lead to a change in climate policy and China's relations with the rest of BASIC remains unclear. India now has a new more Right-wing, government, whose climate policy remains a subject of speculation. Domestic opinion is deeply divided on the stand that India should adopt at UNFCCC conferences, the overwhelming concern being that it must not compromise on "the right to development".

LIKE-MINDED GROUP

A new development just before Doha was the formation of what has been called the group of Like-Minded Developing Countries (LMDC) on Climate Change in September 2012. The LMDC group held its first meeting in Beijing. The group is basically an alliance between China and India, and oil-producing countries like Saudi Arabia and Venezuela, with a few climate "radicals" like Bolivia and Ecuador, fast-growing economies like Malaysia and Thailand, and sundry others such as Egypt, Nicaragua, Pakistan and the Philippines thrown in. Significantly, the list of 12 countries at the first meeting did not contain the names of Brazil and South Africa.

The LMDC statement emphasised the "goals of environmental sustainability, social and economic development, and equity" and stressed that "this grouping is part of and is anchored firmly in the G77 & China (the group of 133 developing countries). They agreed to continue to work together to strengthen the unity of G77 & China and play a constructive and meaningful role in the negotiations." It identified the "top priority" of the Doha conference as "the adoption of an agreement for a second period of legally binding emission reduction targets for developed countries under the Kyoto Protocol which start on 1 January 2013. [KP-CP2] In order to be meaningful, the emission reduction targets must be sufficiently deep and in line with the requirements of actions to curb rising temperatures." [31]

Although Brazil and South Africa were not part of the LMDC group, their recent statements, and the last pre-Doha communiqué issued at the conclusion of the 13th BASIC Ministerial meeting on Climate Change, held in Beijing on November 19-20, 2012, reiterated the same points. The ministers' communiqué reaffirmed that the Kyoto Protocol remains a key component of the international climate regime and that its second commitment period (CP2), which must be "effective and legally binding", is the key deliverable. They "called upon developed country Parties to the Kyoto Protocol to raise their level of ambition in their quantified emission limitation and reduction objectives (QELROs) in Doha, consistent with what is required by science and their historical responsibility."

The LMDC countries carry a fair amount of economic and political clout and could possibly pull a lot of weight in future climate talks. Whether and to what extent they succeed in revitalising the G77, pushing through a KP-CP2 without a gap, with ambitious targets for Annex 1 emissions reduction, and achieving progress in completing the pending issues of adaptation, finance, technology, review, etc. in the Ad Hoc Working Group on Long-Term Cooperative Action (LCA), remains to be seen. But the prospect for this seems poor. Most Annex 1 countries want to shut down the LCA and start negotiating a new agreement binding all countries. Rather than reunite the G77, the LMDC could end up further splintering or wrecking it.

The LMDC group did not manage to influence the Doha or Warsaw climate conference strongly.

In fact, the 2013 Warsaw COP is considered by many an even greater failure than the more recent failures at Durban and Doha. Not only did it not break the climate talks deadlock, and carried forward and reinforced the dismal legacy of the past, but it also became known as the most "corporate-captured COP in history" with major polluting companies playing a more visible and blatant role than ever before.[32]

BASIC is unlikely to be able to extend its influence through groups like LMDC. However, one thing is clear. If BASIC wants to survive and remain a player in the climate negotiations, it will have to do much more than blandly reaffirm CBDR, negotiated in 1992. Gradations and nuances must be added to it in keeping with contemporary realities. China is now an industrial giant. Most developing countries are way behind even the less affluent Northern nations in living standards, emissions, and capacity for climate action. But they together now account for 55 per cent of global emissions. BASIC and other big emerging economies are under growing pressure to accept binding obligations, albeit less stringent than the North's.

BASIC should support the G77's effort to defend the gains of past UNFCCC negotiations, and promote cooperative action based on international solidarity. BASIC should categorically declare that they want a strong, fair, ambitious and binding climate deal and are prepared, in the world's long-term interests, to sacrifice their short-term gains from a low-ambition deal.

Second, they must show they accept their share of climate responsibility regardless of whether the North does or not, by launching significant voluntary domestic efforts at mitigation, adaptation and clean technology development without external support. These must have a strong equity component and improve the living standards of the poor. Their leaders must show that they have moved away from their obsession with emission-intensive unsustainable rapid growth.

Third, BASIC should offer generous, unconditional financial and technological support for adaptation and mitigation in the LDCs and small developing countries with low capacity. That might eventually contribute to a just and ambitious climate deal.

However, none of this is likely to happen without progressive domestic change within the BASIC countries, which can only be brought about by social and political movements for equity and justice. Unless these movements grow and become more powerful, they will not succeed in compelling the BASIC governments to radically alter their development approaches and climate policies. BASIC cannot change the world for the better unless it changes itself radically.

Appendix: Pledges in Tables

Table 1. Comparison of National Mitigation Pledges: I

	$MtCO_2e$ in 2020	
	low pledges strict rules	high pledges strict rules
United States	0	1407
EU-27	972	1529
Japan	0	358
Russia	0	0
Canada	0	200
Australia	185	280
Annex 1	**1157**	**3773**
China	1010	1730
India	523	523
Indonesia	733	1156
Brazil	974	1051
Mexico	51	265
South Korea	244	244
South Africa	88	238
non-Annex 1	**3623**	**5207**

Quantities in millions of tonnes of CO_2. Derived from Sivan Kartha and Peter Erickson, 'Comparison of Annex 1 and non-Annex 1 pledges under the Cancun Agreements', Stockholm Environment Institute, Stockholm, 11 June 2011, p 15; based on UN Environment Programme *The Emissions Gap Report:* UNEP, November 2010.

Table 2. Comparison of National Mitigation Pledges: II

	$MtCO_2e$ in 2020	
	low pledges	high pledges
United States	1289	1289
Europe	973	1535
Japan	379	379
Canada	297	297
Australia	28	138
New Zealand	19	28
Russia	0	0
Other Eastern Europe	7	7
Annex 1	**2991**	**3673**

	$MtCO_2e$ in 2020	
	low pledges	high pledges
China	1392	2500
India	0	149
Brazil	975	1052
Mexico	183	183
South Africa	158	158
Indonesia	653	1029
South Korea	162	162
All Other Developing Countries	99	99
non-Annex 1	**3622**	**5332**

Quantities in millions of tonnes of CO_2. Derived from Sivan Kartha and Peter Erickson, 'Comparison of Annex 1 and non-Annex 1 pledges under the Cancun Agreements', Stockholm Environment Institute, Stockholm, 11 June 2011, p 16; based on estimates by McKinsey and others

Table 3. Comparison of National Mitigation Pledges: III

	$MtCO_2e$ in 2020			
	low pledges low growth	high pledges low growth	low pledges low growth	high pledges high growth
United States	800	800	3100	3100
EU-27	250	750	1800	2340
Japan	300	300	700	700
Russia	0	0	175	450
Canada	200	200	500	500
Australia	55	145	249	351
Annex 1	**1605**	**2195**	**6524**	**7441**
China	2720	3840	6364	7636
India	0	0	0	250
Indonesia	500	500	700	700
Brazil	960	1040	1248	1352
Mexico	200	200	300	300
South Korea	100	100	300	300
South Africa	100	100	200	200
non-Annex 1	**4580**	**5780**	**9112**	**10738**

Quantities in millions of tonnes of CO_2. Derived from Sivan Kartha and Peter Erickson, 'Comparison of Annex 1 and non-Annex 1 pledges under the Cancun Agreements', Stockholm Environment Institute, Stockholm, 11 June 2011, p 17; based on estimates by Jotzo

Endnotes

1 The definition and composition of Annex 1 is somewhat arbitrary, and not based on clear and consistent criteria. Thus, some of the less developed countries of the former Eastern Bloc (e.g. Bulgaria and Romania), as well as Turkey, sometimes called an "emerging power", are included in Annex 1. But oil-rich high-GDP states like Kuwait, Saudi Arabia and Qatar are put in the non-Annex category, which also includes OECD members South Korea, Israel and Chile, besides relatively developed Singapore.

2 The World Bank World Development Indicators 2012 http://data.worldbank.org/data-catalog/world-development-indicators/wdi-2012

3 Statista and International Monetary Fund, 2013, accesses 26 October http://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/

4 Stockholm Environment Institute, "Together Alone: BASIC countries and the climate change conundrum", accessed 25 October 2013 at http://www.norden.org/en/publications/publikationer/2011-530

5 IEA CO_2 Emission from Fuel Combustion Highlights 2012 Edition, available at www.iea.org These figures are lower than those for total emissions from all sources, but strongly indicate the general trend.

6 Baumert, K., Herzog, T., Pershing, J. (2005), *Navigating the Numbers: Greenhouse Gas Data and International Climate Policy,* World Resources Institute

7 World Resources Institute, CAIT 2.0, available at http://cait2.wri.org/wri/Country%20GHG%20Emissions?indicator=Total%20GHG%20Emissions%20Excluding%20LUCF&indicator=Total%20GHG%20Emissions%20Including%20LUCF&year=2010&sortIdx=&sortDir=&chartType=#

8 See Farhana Yamin "Pathways and Partnerships for Progress for Durban and Beyond" in *A Future for International Climate Politics Durban and Beyond,* Heinrich Boell Foundation, accessed 25 October 2013, available at http://www.tr.boell.org/downloads/A_Future_for_International_Climate_Politics_Durban_and_Beyond.pdf

9 IBSA Dialogue Forum was set up by Brazil, South Africa and India in 2003 as a South-South grouping "of like-minded countries, committed to inclusive sustainable development" http://www.ibsa-trilateral.org

10 Farhana Yamin, ibid

11 The Guardian, London, December 3, 2010; The Hindu, New Delhi, December 6, 2010; Mail Today, New Delhi, December 8, 2010, among other sources.

12 Each climate action taken by the South, when supported financially by the North, is subjected to stringent forms of detailed measurement, reporting and verification (MRV) to show that it averts/avoids or reduces emissions. This needs highly specialised technologies to estimate existing levels of emissions from different sectors and activities, which the Southern countries don't possess.

13 Atmospheric CO_2 levels in September 2013 were 391.31 ppm, see http://co2now.org/ accessed 27 October 2013

14 A 350 ppm of CO_2 pathway, now favoured by a growing number of climatologists and governments, is safer. But it implies a more stringent CO_2 budget (cumulative emissions of 750 Gt for 2000-2050). This means that global emissions must peak in 2011-12 or so and start decreasing immediately and rapidly after that, reaching their maximum rate of decline of about 10 per cent a year by 2016. This is a tall order. On the 350 ppm pathway, global emissions would fall by 40 per cent below their 1990 levels by 2020, and 100 per cent below them by 2050. As evident from the latest figures, the 350ppm limit has been well passed.

15 UNFCC, National greenhouse gas inventory data for the period, 1990–2008, November 2010 http://unfccc.int/resource/docs/2010/sbi/eng/18.pdf

16 UNEP Emissions Gap Report (2010). http://www.unep.org/publications/ebooks/emissionsgapreport/ accessed 1 August, 2014

17 Mitigation, C. C. (2011). IPCC special report on renewable energy sources and climate change mitigation. http://srren.ipcc-wg3.de/report accessed 1 August 2014

18 El-Ashry, M. (2010). Renewables 2010 global status report. Paris: REN21 Secretariat. Copyright Deutsche (GTZ) GmbH, 2010. http://www.ren21.net/Portals/0/documents/activities/gsr/REN21_GSR_2010_full_revised%20Sept2010.pdf accessed 1 August 2014

19 ibid.

20 ibid

21 Earthlife Press Release: Copenhagen, the end days. Accessible at http://www.earthlife.org.za/?p=743

22 "Together Alone: BASIC countries and the climate change conundrum". Accessible at http://www.norden.org/en/publications/publikationer/2011-530, accessed 28 October 2013.

23 Ibid.

24 "Brazil oil find may be one of world's largest", See http://www.reuters.com/article/2010/09/13/oil-brazil-idUSN1320841820100913, accessed 28 October 2013

25 “Together Alone: BASIC countries and the climate change conundrum”. Accessible at http://www.norden.org/en/publications/publikationer/2011-530, accessed 28 October 2013.

26 SciDev.net, (2010, May 12). India's greenhouse gas emissions rise by 58%. The Guardian. Retrieved from http://www.theguardian.com/environment/2010/may/12/india-greenhouse-gas-emissions-rise

27 Bidwai, P. (2012). *The politics of climate change and the global crisis: mortgaging our future.* Orient BlackSwan.

28 See “Transforming China's Grid: Sustaining the Renewable Energy Push,” http://theenergycollective.com/michael-davidson/279091/transforming-china-s-grid-sustaining-renewable-energy-push, accessed 11 December 2013

29 See China's Copenhagen Pledges, http://www.climaticoanalysis.org/post/chinas-copenhagen-pledges/, accessed 11 December 2013

30 See Report on Zhang Qingmin's Address “Chinese Foreign Policy: Taoguang Yanghui or Not?” http://www.china-files.com/thinkin china/sixth.html, accessed 11 December 2013

31 See http://www.twnside.org.sg/title2/climate/info.service/2012/climate20121005.htm

32 Tansey, R. (2013). The COP19 Guide to Corporate Lobbying Climate crooks and the Polish government's partners in crime. Corporate Europe Observatory Transnational Institute http://corporateeurope.org/blog/cop19-guide-corporate-lobbying accessed 1 August 2014

SHIFTING POWER

Critical perspectives on emerging economies

CHAPTER EIGHT

LAND GRABBING UNDER THE COVER OF LAW

ARE *BRICS*-SOUTH RELATIONSHIPS ANY DIFFERENT?

TOMASO FERRANDO

Land grabbing under the cover of law:
Challenges and Opportunities for South Africa and Africa

TOMASO FERRANDO*

Abstract

BRICS have been heralded as the representatives and interpreters of the long-standing aspirations of the South in global affairs, the five paladins defending the wretched of the earth against Western hegemony. A look at BRICS' investors involvement in the current "global land grabbing", perhaps more than any other issue, belies that myth. This chapter explores how four of the BRICS' governments (Brazil, India, China and South Africa) are following the pattern traditionally adopted by Northern countries of enclosing and exploiting land, both nationally and abroad, to benefit capital and global agro-industrialisation. It also reveals how they are using law and diplomacy in order to facilitate access to foreign land, and foster their own economic interests.

INTRODUCTION

There is a general consensus among academics, politicians and social movements, that BRICS as 'new donors' are increasing both their quantitative and qualitative role in defining what is considered to be 'the world economic order'.[1] In particular, several authors have underlined the importance of BRICS as a challenge to the traditional development paradigm, describing the five countries as proponents of a South-South cooperation which weakens the so-called Washington Consensus [2] because it does not attach policy conditionalities, provides assistance based on a win-win paradigm, and places emphasis on how to ensure economic sustainability of the recipient country. Moreover, such rhetoric is not only produced by academics or international financial institutions,[3] but fostered and reinforced by BRICS themselves. For example, while China especially stresses the need to respect the sovereignty of the receiving country, all the BRICS are trying to create an identity which differs from that of established donors, and claim to promote alternative strategies based on equality, solidarity, mutual development and cooperation.[4] These differences from traditional Northern donors, it is assumed, contribute to more effective cooperation and to a better reception by local populations.

This chapter does not challenge the idea that some differences exist between the way in which Northern donors and BRICS conceive receiving countries' sovereignty and their independence where official development assistance (ODA) is at stake. Rather, it focuses on large-scale investments in foreign land (LaSIL) and concludes that, when access to this scarce resource is at stake, the legal mechanisms, rhetorical approaches and geostrategic positions of the BRICS (with the exception of Russia) toward the South replicate the traditional strategy of Northern countries more than the general narrative about emerging donors may suggest.[5]

Leaving aside the political, economic and social importance that the large-scale industrialisation of agriculture plays in transforming each of the BRICS, this chapter focuses exclusively on the 'global land rush', that is, the attempt to control and exploit land abroad.

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FOREIGN DIRECT INVESTMENTS IN LAND AS LAND GRABBING

The enclosure and private appropriation of large tracts of land, a phenomenon that already Karl Marx called 'land grabbing' in 1867,[6] does not represent anything new in human history.[7] It has been central to the construction of the world economic order as we know it, starting from the industrial revolution and European colonisation, to the conquest of the 'Far West' by North American settlers. However, the current 'global land rush' is characterised by some specific features which make it unique and, if possible, more problematic. It is happening at an unprecedented speed, produced by cumulative local and global forces, and facilitated by a global legal architecture which favours the mobility of capital and goods against the immobility of sovereign states and people (and, of course, land itself). The 'global land rush' has a significant impact on the access to—and use of—land and water, which are increasingly scarce resources; furthermore, is happening in a world inhabited by more than seven billion people, the majority of whose food security is everyday more at risk. The present 'land rush' is almost never the consequence of wars or the occupation of unexplored land beyond the borders of "civilisation", but is taking place within the boundaries of an international legal framework densely occupied by sovereign nation states, international law and diplomacy.

Nevertheless, even though land grabbing is happening on a global scale, it is firmly rooted in local realities. It is these local realities that have to be considered if we want to determine whether BRICS are, or are not, acting any differently from the historical colonisers and the countries of the North. [8]

It is important, first, to clarify the term 'land grabbing', because this notion has been utilised in various ways to define different phenomena, more or less narrowly, and according to the political objectives of the authors. This paper adopts the broad conception of 'land grabbing' recently proposed by Franco et al., according to whom:

> The global land grab is therefore an epitome of an ongoing and accelerating change in the meaning and use of the land and its associated resources (like water) from small-scale, labour-intensive uses like peasant farming for household consumption and local markets, toward large-scale, capital-intensive, resource-depleting uses such as industrial monocultures, raw material extraction, and large-scale hydropower generation—integrated into a growing infrastructure that link extractive frontiers to metropolitan areas and foreign markets.[9]

This interpretation has the merit of going beyond the narrow idea of 'grabbing' as the illegal seizure of customary land, and instead focusing on the concentration of control over scarce resources *and* underlining the social, economic and political aspects linked to a radical shift in the means of production, and in the way in which land is managed.[10] This definition enables an interpretation of the 'global land rush' through the prism of a new global transformation. This signifies the passage from one socio-economic structure—small-scale farming characterised by a certain state-market-community relationship—to another structure—industrialised production, where the state utilises its authority to redefine the relationship between market and community.

However, the broad definition is counterbalanced by a narrower focus. Rather than considering all the social transformations that are taking place within and outside the BRICS by means of large-scale land projects, I refer only to those cases where BRICS and their 'national' investors are active in the 'foreignisation'[11] of land located outside of their national territory. Despite the fact that 'land grabbing' and 'foreignisation' are often considered two sides of the same coin, land grabbing is not only a matter of foreign 'land thieves', but can also conducted by national investors and elites, who in many cases are facilitated by their own nation states in the implementation of large-scale projects (agricultural, industrial, touristic, real estate expansion, etc.).[12] The BRICS are not exempt. Indeed, the Indian,[13] Brazilian[14] and Russian[15] governments seem to be particularly involved in this process of sustaining internal accumulation of land and other resources, a circumstance that van Apeldoorn et al. define as the first step of the construction of the capitalist state.[16]

The exclusive focus on the 'foreignisation'' aspect of land grabbing however enables us to explore whether BRICS provides an alternative to the traditional Northern way of exploiting the South, and to engage with the growing academic discussion of the transformation of the global economic world from bipolarity/unipolarity to a more complex and challenging multipolarity. 17

Even so, it is not easy to have reliable data on the extent and dynamics of global land grabbing. For this reason, this analysis cannot provide a detailed mapping of the BRICS investments abroad, nor arrive at an incontestable truth. However, a mixture of different sources does show some patterns for BRICS investors, and provides the quantitative background for the legal analysis.

A June 2011 study by the International Land Coalition suggested that land grabbing involved around 80 million hectares, 64 per cent of which are located in Africa,[18] whereas figures released later that year by the same organisation refers to more than 220 million hectares—that is, eight times the size of Britain, or the entire northwest Europe.[19] According to the most recent data collected by the Land Matrix Initiative and elaborated by Anseuuw et al.,[20] 83.2 million of hectares of land in developing countries have been targeted by investors, 56.2 million of which are located in Africa, 17.7 million in Asia and 7 million in Latin America.21

Despite the methodological problems highlighted by some authors,[22] in order to analyse the role and relevance of BRICS investors in the 'global land grab' this paper mainly relies on the data gathered by the Land Matrix Initiative (LMI), integrated with other available sources such as the Grain dataset, and relates these deals with existing investment agreements that are publicly available. Looking at where foreign investments in land originate, the *lack* of a central driving region is striking. Although the data produced by the LMI and other studies point to the United States and the United Kingdom as the two main sources of land-related FDI, the big picture includes actors who assume different forms (public, private and mixed) and are geographically located in the North, in the Gulf States, in emerging economies—including BRICS—and, in some cases, from other Southern countries. On average, investors' countries have a GDP per capita four times higher than target countries, and this difference is even higher when we exclude countries that are both the origin and target of investment flows.23

The data shows that BRICS investors play an increasing role in accessing land located outside of the national territory of their home country, representing an alternative to the traditional core-peripheries relationship, but also something new compared to the earlier discussions on land grabbing which were focused on the role of the Gulf States.[24] It is possible to identify zones of interest for each country, with a predilection toward neighbouring countries (especially in the case of Brazil, South Africa and China) and areas of the African continent with geographical proximity, regional market integration, or cultural connections. The facility to conduct business, rather than the need for investment of the target countries, appear therefore as a crucial factor underlying the current flow of South-South investments.

As demonstrated by Table 1, the current investment dynamics are characterised by a high level of regionalism. For example, Indian investors seem to be particularly active in Indonesia, Malaysia and in east Africa (especially Ethiopia and Kenya), while Brazilian operations (according to the LMI) appear exclusively located in east Africa. Interestingly, South African investments are moving all over the continent, not only beyond the borders to Mozambique, Zambia,25 Zimbabwe[26] and Swaziland,[27] but also farther away to the Democratic Republic of Congo (DRC),28 Angola, Benin, Congo[29] and Ethiopia.30 These investments reinforce the idea that South Africa is the doorway to Africa for the rest of the BRICS.

Finally, China appears the most active investor in quantitative terms, with more than five million hectares of land acquired in various continents. In particular, data shows that Chinese capital has a stronger presence in Southern Asia,[31] Oceania and South America, although it also has a strong presence in Africa.[32]

While China and India clearly emerge as the main 'grabbers', if these data are integrated with information provided by other sources, and in particular with local case studies, the picture appears more complex.

In particular, several authors have underlined the increasing presence of Brazilian investors in neighbouring countries and Southern Africa,[33] a circumstance which is not evident from the LMI because the agreements have not been concluded yet, or because the investments have been channeled through third countries. For example, the LMI does not consider the conclusion in 2009 of an agreement with Japan to develop a ten-million-hectare agricultural project in Mozambique,[34] nor the several visits that President Lula has paid to Africa, both as President and more recently as Director of the *Instituto Lula*, to promote democracy, social inclusion and economic development. If continental and intercontinental data are taken into account, and the outlook moved from the present to the next decade, one could conclude that Brazil is leading the pack when it comes to land grabbing.[35]

While conscious of the risk of gross generalisation, and of the need of further empirical studies, we could nevertheless conclude that investors from BRICS countries have already obtained access, via lease or purchase, to millions of hectares located in other Southern countries, directly competing with Northern and Gulf countries for the land and water resources which sustain millions of local communities (to say nothing of the environmental equilibrium and biodiversity).

Table 1: Brazil, India, China and South Africa's Land Grabbing According to the Land Matrix Initiative

Country and Total Land (ha)	Regional Areas and Total Land (ha)	Target Countries
Brazil 28,000	East Africa 28,000 [36]	Mozambique, Ethiopia
India 1,924,509	Central Africa: 15,000 East Africa: 1,761,800 North Africa: 8,020 South East Asia: 139,689	Cambodia, Indonesia, Lao, Philippines, India, Cameroon, Ethiopia, Madagascar, Mozambique, Sudan
China 1,139,282	Central Africa: 10,000 East Africa: 126,171 South America: 348,972 South-East Asia: 628,139 West Africa: 26,000	Cambodia, China, Sudan, Lao, Philippines, India, Bolivia, Peru, Argentina, Benin, Cameroon, Ethiopia, Mali, Democratic Republic of Congo (DRC), Uganda, Zimbabwe[37]
South Africa 1,412,968	Central Africa 340,000 East Africa: 367,174 South America 55,794 West Africa 650,000	Colombia; Angola; Benin; Ethiopia, DRC, Mozambique; Madagascar.

Source: Land Matrix Initiative, www.landmatrix.org/en/

LEGALLY ENHANCED LAND GRABBING: NATIONAL LAW AS A SOURCE OF INCENTIVES

In analysing how large-scale land investments are carried out, a great deal of focus is usually given to the final grabbers: TNCs or corporations are accused of exclusively thinking about their economic interests, and recipient governments are attacked for facilitating the enclosure of their land. Much less attention is paid to the role of source countries—that is, the governments of those countries whose investors look for land abroad—despite their crucial intervention in supporting the internationalisation of their national capital, and the occupation of territory by large-scale projects,[38] Similarly, the current debate around land grabbing is disturbingly lacking appropriate reflection around the role of national and international legal tools in this process.[39] Of course an exclusive focus on source countries does run several risks, including that of identifying capital as originating from one specific country, and falling into what John Agnew defined as the ‘territorial trap’,[40] to “conflate the grabbers with their countries of origin”,[41] or to overlook the complexity of the ‘global land grab’ as a combination of domestic and foreign capital of distinct origins.[42] Nevertheless, it is clear that the BRICS have taken specific measures in both national law and international legal tools to facilitate large-scale investments abroad.

To better understand the external impact of national law, it is useful to make reference to a recent paper by Dan Danielsen, who explores the “growing significance and ‘beyond-borders’ implications that ‘local rules’—such as Chinese labour law, US financial regulation and Swiss bank secrecy rules—can generate within a system of global economy.”[43] According to Danielsen, rather than continuously looking at globalisation as an exogenous phenomenon that cannot be enhanced or curbed by the nation state on its own, we should realise the relevance of individual legal interventions in reproducing the global system, as in the case of land grabbing, and their potential in preventing its further consolidation. Thus, understanding the effects that national law can produce outside the traditional borders of the state, Danielsen claims, can help us to develop new and more complex notions of economic participation, political pluralism and distributive justice in the creation and operation of the national and the international rules that comprise the global economic regulatory order.[44]

Danielsen’s argument, which largely focused on the ‘positive’ spillover effect that can be triggered by changes in national legislation, can be inverted and utilised to look at the ‘negative’ effects that national legislation can generate beyond the territorial limits of the state. From this perspective, China, India and South Africa appear to have adopted legal reforms that favour the delocalisation of food and energy production outside their borders.[45] More interestingly, Brazil has functionally changed its legislative autonomy in order to limit the access to Brazilian land by foreign investors while using diplomacy to sustain the internationalisation of its ‘national capital’.[46]

Looking more closely at the first three countries, the Indian example emerges as the most relevant. In 2010, the Indian Government instituted a working group on agricultural production chaired by the chief minister of the state of Haryana, B. S. Hooda. The working group’s goal was to look at ways of boosting agricultural production in India. In accomplishing its task, the Hooda Committee (as it was renamed) proposed a series of recommendations, among which number 33 affirms that, like many other countries who have “shopped for land abroad for growing crops to meet consumption needs(...)We should seriously consider these options for at least two million tonnes of pulses and 5 million tonnes of edible oil for 15-20 years.”[47] Thus, several countries were listed as possible targets for Indian investments in land, including Argentina, Myanmar/Burma and other ASEAN countries. However, Table 1 above demonstrates that Indian companies have been targeting several other countries, and especially Ethiopia, to produce pulses and edible oils as recommended by the committee.

Observing the legislative reforms adopted by the Indian Government in recent years, it could be concluded that it has closely followed the recommendations of the Hooda Committee, mainly by issuing a series of legal initiatives that facilitate Indian agricultural companies in their overseas investments in Africa and elsewhere. These include support for conventional greenfield foreign direct investments, the purchase of existing firms, the facilitation of public-private partnerships (PPPs), specific tariff reductions on agricultural goods imported to India[48], and preferred lines of credit (LoC) to partner governments and financial institutions through the Indian Export Import Bank (Exim Bank).[49] The government’s intention is to support alternatives to the direct public investments in foreign farmland, so as to avoid being considered neocolonialist. Rather, it is trying to obtain the same objective by facilitating private land deals, as long as “the private players show interest in this.”[50] Thus, the Indian case perfectly exposes the central role played by source countries in the current ‘global land rush’: Rather than being a passive observer, the government has actively used its institutions and legislation to create incentives to private actors and reduce their commercial risks, two crucial actions which intensify the outflow of capital and the inflow of the agricultural production, rather than its placement on the global market.

In the case of China, the pollution of soil and water from factories, and the increased need for food and meat are crucial factors driving the government's search for productive land abroad. However, as Lorenzo Cotula recently noted, the peculiarity of China's system is that the boundary between "state" and "non-state" enterprises is extremely fuzzy, so that it is difficult—if not impossible—to assess the specific roles of capital and state in accessing land abroad.[51] In addition to that, the Chinese government has been strategically using its over-accumulated reserves of foreign currency in order to provide loans and finance large-scale infrastructural investments throughout the South—creating interesting opportunities for Chinese construction enterprises—while improving diplomatic ties. China's 'going out' strategy has seen companies such as COFCO (China National Cereals, Oils and Foodstuffs Corporation) acquiring concession rights in Latin America, southeast Asia and Africa, and starting new agricultural projects to produce food and cash crops.[52] In all these cases, Cotula underlines that the senior staff members are appointed by the state, and the CEOs also have ministerial-level rank. Differently from India, the Chinese government is thus not only sustaining the individual decision of "going global" by providing access to "special credit lines, tax breaks, and possibly favourable interpretation of regulations and priority in allocation of key contracts,"[53] but is also defining the strategy and selecting the target—whether countries or foreign corporations—for their investments.[54]

Another interesting aspect concerns the aggressive Chinese strategy when it comes to taking over existing agricultural and livestock operations, and in particular acquiring food-producing firms and activities located throughout the globe (including the United States). Even if the shift in the ownership of the company does not raise particular concerns in terms of land grabbing (mainly because it does not determine an expansion of the industrialised area, or the transformation from previous small-scale farming), the creation of a series of vertically integrated global production networks[55] under Chinese control could certainly infringe on local food security and reduce the possibility of target states adopting protectionist policies. As discussed below, the foreign ownership of an investment automatically determines the application of Bilateral Investment Treaties (BITs) and of the stronger protection of property rights that they introduce. Certainly, the merger and acquisitions strategy adopted by Chinese firms and funds has triggered different social and legal reactions. For example, the concerns raised in Australia[56] and Argentina[57] do not seem to have emerged in the United States, where control of Smithfield, the biggest USA producer, passed to the China-based Shuanghui International Holdings Ltd. in September 2013.[58]

Shifting to South Africa, the role of the government in sustaining investments in land abroad seems equally relevant, despite the fact that the South African executive has not released official statements to support the expansion of South African farming abroad. However, economic support is not missing. For example, the Minister of Agriculture, Forestry and Fisheries, Tina Joemat-Pettersson, announced in 2010 a fund of six billion South African Rand (ZAR)—about $680 million—to support South African farmers, half of which would be spent on projects beyond South Africa's borders.[59] Moreover, despite the rising concerns about the negative impact of land grabbing, both in South Africa and abroad, the South African state has proposed no legal intervention to require a stronger and more effective respect of international human rights and environmental law by national investors undertaking projects abroad. The African solidarity which is claimed to be the basis of the relationship between South Africa and its neighbours, appears particularly weak when the time comes to support national investments and profit generation.

Brazil's approach toward large-scale investments in land is very strategic, not to say hypocritical. As discussed elsewhere,[60] on the one hand, for almost a year Congress has been debating the introduction of new legislation to prohibit foreign ownership of Brazilian land: pressure against foreign capital has resulted in a change in the General Attorney Office's (GAO) legal opinion, which increased the procedural burden and introduced quantitative limits to foreign ownership (but did not forbid it). On the other hand, internally the country has followed a policy of land concentration and massive industrialisation, and is replicating the same industrial policy abroad. This is evidenced, for example, by the economic and political support provided by the Government to the ProSavana project in Mozambique, and to several projects of ethanol production developed in Angola and in other African countries.[61] Despite some initiatives by the Lula Government that were favourable to small-scale farmers, the Brazilian policy vis-a-vis agricultural production clearly favours large-scale investments, to the detriment of the socio-environmental equilibrium of some of its own regions (such as the Cerrado)[62] and of foreign countries.

CONTINUING THE BILATERALISATION OF INTERNATIONAL RELATIONS AS NEOCOLONIAL STRATEGY

As recently observed by Joseph Stiglitz,[63] the surge in the number of BITs signals how the world economic order is being shaped and constructed. The proliferation of bilateral agreements which are concluded by individual governments with little or no public consultation, represents the codification of the transformation of states' relationships from the universal multilateralism that characterised the post-World War II structure (for example, the IMF or the WTO, notwithstanding their clear bias in favour of richer countries), to a more fragmented bilateralism which accentuates the differences in bargaining power, and reinforces the problems of a "regional domino effect"—which will be discussed below.

The rising importance of BITs can be seen in a longer historical context—based on post-World War II attempts by former colonies to preserve the existing economic inequality by exclusively focusing on the institutionalisation of states as political actors, without addressing the issue of the socio-economic colonial legacy.[64] It is notable that the increase in the number of bilateral agreements occurred after some successful achievements by Southern states in the 1960s and the 1970s, such as a challenge to the Hull Rule as the applicable principle of customary international law in case of expropriation,[65] and the three extremely important resolutions concerning the New International Economic Order[66] and the notion of Permanent Sovereignty over Natural Resources.[67] These events gave a strong signal of the results that Southern states could obtain through cooperation, and led the North to undertake a radical shift from basing international relations on the multilateralism of the United Nations to the bilateralism of investment agreements and special partnerships. This was economically based on massive lending, and legally organised around the imposition of structural adjustment programmes.[68]

From this perspective, the proliferation of BITs since the 1990s appears as the codification of an asymmetrical world where investments are free to move, and thus take advantage of their mobility to force countries into a fierce competition whose outcome is a subordination of the collectivity to the interests and economic needs of the investor. Since 1959—the year of the first BIT between Germany and Pakistan[69] —only 400 BITs were signed worldwide until 1991. However, by mid-2008 more than 2600 bilateral investment treaties had been signed, and BIT-like provisions have been written into a growing number of bilateral and plurilateral free trade agreements (FTAs).[70]

During these years, peripheral countries became counterparts in several agreements concluded with core states, but the proliferation of South-South BITs is a relatively new phenomenon, indicating that emerging Southern countries are following the same path—of economic subordination via bilateralisation—taken by Northern countries. According to the data, in 1990 only 44 South-South BITs were active, while in July 2004 the number reached 653, that is, 28 per cent of the total number of BITs then signed.[71] More recently, the share of South-South BITs concluded annually has ranged from 22 per cent to 30 per cent of the total number of new BITs signed annually.[72]

a) The BRICS and BITs

If we look at the official data provided by the UNDP, the BRICS have been playing a pivotal role in constructing the new BITs-based global economic order. China had already signed BITs starting in the early

1980s, but it is only in the last ten years that it increasingly used international agreements as an instrument to protect its investors abroad, both in Northern—but particularly Southern —countries. According to Malik,[73] sixty per cent of the BITs concluded by China between 2002 and 2007 are with developing states, with an increasing orientation toward African countries. More precisely, China has concluded BITs with Chad, Cote d'Ivoire, Gabon, Libya, Mali, Madagascar, Ethiopia, and Uganda, together with Costa Rica, Cuba, the Republic of Korea, Seychelles, Laos, and Myanmar/Burma. Moreover, it is currently undergoing a series of negotiations with strategic partners both in Asia and outside of the continent.74

By 2005, India had signed BITs with 81 countries, 31 one of which were with Southern counterparts, the majority in Asia and Africa.[75] More interestingly, the growing interest of Indian investors toward African resources and markets can be measured by the surge in the number of bilateral investment protection agreements (BIPA) concluded with African countries between 1999 to 2010. By the end of 2013, India had concluded treaties with Djibouti, the DRC, Egypt, Ethiopia, Ghana, Libya, Mauritius, Morocco, Mozambique, Senegal, the Seychelles, Sudan and Zimbabwe.[76] Tracing a link between trade agreements and land grabbing, it is interesting to look at the process through which the India-Ethiopia trade relationship was legally constructed and consolidated. Although a first trade agreement between the governments of India and Ethiopia was signed on March 6, 1997, a subsequent Bilateral Investment Promotion and Protection Agreement (BIPPA) was signed on July 5, 2007, but has yet to come into effect.[77] The picture was then completed with a Double Taxation Avoidance Agreement (DTAA) concluded on May 25, 2011, which provides that business profits will be taxable in the recipient State if the activities of an enterprise constitute a permanent establishment in that territory. When we couple the provisions of the DTAA with the content of the standard concession agreement concluded between Ethiopia and foreign investors—whereby taxes are zero-rated for the entire length of the project[78]—this produces a situation where neither Ethiopia nor India are collecting revenues because the investors pay no tax. In this way, the economic benefit of the investment can hardly reach the people of either country.

South Africa too has been extremely active in signing BITs since the end of the apartheid era, as it re-orients its international relations post-sanctions, and according to the economic needs of its national investors. Interestingly, the replication of the North-South strategy is hidden behind an official rejection of BITs, which are described as an instrument of neocolonialism. As noted earlier, on the one hand the South African state is trying to exercise its increased economic and political power to terminate or re-write existing BITs with some Northern countries,[79] while on the other hand it is adopting the same strategy of bilateralisation in order to subordinate foreign countries' sovereign power to the economic rights of South African investors.

The interest of South Africa in concluding new BITs emerged in a 2009 Review of the South African BITs strategy released by the Trade and Industry Department which explains that:

> The Republic of South Africa (RSA) has also emerged as a capital exporter into the African continent and beyond [and that] RSA companies have established a footprint on the continent, a foray that has been fully endorsed and encouraged by government.(...) Given the sizable intra-Africa investments made by RSA companies, the RSA ought to assess how best such investments by its citizens may be safeguarded.[80]

Moved by the need to defend its investors, since 2009 the South African governments has concluded BIT-type agreements on the promotion and reciprocal protection of investment (plus related protocols) with Angola, Cameroon, the DRC, Gabon, Guinea, Ethiopia, Mauritania, Namibia, Sudan, Tanzania, Zambia and Zimbabwe.[81] As discussed below, these agreements replicate the content of the BITs South Africa had concluded with Northern countries and is now denouncing. In quantitative terms, South Africa is the BRICS country with the highest number of BITs with African counterparts, highlighting the instrumental role of RSA in channelling foreign investments throughout the continent.

When it comes to bilateral investment agreements, Brazil is widely considered the odd-one out. Until now, Brazil has concluded only eight BITs, three of which are with countries from the South, not one of which has yet been ratified.[82] However, data and reports about Brazil show a consistent involvement of Brazilian investors in the current rush to the land, a situation that leads to two possible conclusions: BITs are not essential for attracting and stimulating investments abroad, but do represent a privileged mechanism of external representation and defence of 'national capital';[83] states and investors have other instruments that can be deployed to favour the expansion of national trade and market, including diplomacy, the conclusion of ad hoc bilateral or multilateral partnerships for specific projects, and the strategic use of alliances with other nations as well as subsidiaries to trigger other countries' BITs.[84] The first point is supported by the growing push in favour of a more aggressive international economic policy by the Brazilian government,[85] which would include expanding BITs with Southern countries and even the European Union.[86] On the second point, the case of Petrobras is emblematic: when Bolivia and Ecuador nationalised part of the oil giant's investments, the CEO of the holding company (Petrobras Brazil), discussed the possibility of utilising subsidiaries (Petrobras Argentina and the Dutch subsidiary, PIB BV) to trigger the Argentina-Ecuador BIT and the Netherlands-Bolivia BITs in order to attack the Latin American partners.[87]

Brazilian commercial interests have also been bolstered by the conclusion of a series of bilateral protocols and commercial agreements aimed at increasing the production of agrofuels abroad, with the intention of facilitating their commercialisation on the global market. Although these agreements do not pose international legal obligations, they are bilateral commitments to stimulate the research and implementation of agrofuel production, and in some cases they also require countries to take positive steps to protect intellectual property rights generated by such research.[88] According to Brazil's Ministry of Foreign Affairs, more than forty Memoranda of Understanding of this kind were signed between 2003 and 2010, with both Northern and Southern countries.[89] For example, in 2007 Brazil signed a Memorandum of Understanding with the West African Economic and Monetary Union (UEMOA) to conduct studies on agrofuels production in that region.

Moreover, 2009 was also the year Brazil and Japan concluded an international agreement to launch the Nacala mega-development project in northern Mozambique.90 The good diplomatic connections between Brazil and African countries, along with the agrofuels know-how that Brazilian enterprises are exporting to the other side of the Atlantic Ocean, are filling the gap left by the absence of BITs, but certainly do not provide Brazilian investors with the same legal privileges that investors from other countries enjoy under BITs. For that reason, an increase in the number of BITs between Brazil and economically weaker countries is expected during the coming years.

In conclusion, if we look at the role that BITs are playing in the geo-strategic decisions of the BRICS, we can conclude that, beside Brazil, the other four have all been actively pursuing Bilateral Investment Agreements with other countries from the South. However, the legal proliferation of the BITs *per se* does not say anything about the relationship between BITs and land grabbing. For that reason, the geographical data contained in Table 1 has been combined with the data concerning South-South BITs, paying particular attention to whether there is any relationship between the existence of a BIT with a Low Income Countries (LIC) and the existence of a land project there. For clarity, the findings are presented in Table 2 below, where Russia and Brazil are kept outside, although for different reasons. The table shows that Indian, Chinese and South African investments in land are more frequent in those Southern countries which have signed an Investment Protection Agreement, and that there are more land investments in LICs which have signed a Bilateral Investment Treaty, rather than those countries which have not.

Table 2. Connecting the Dots: BRICS-South BITs and Global Land Grabbing [91]

Country	BITs with Low Income Countries (LICs)[92]	BITs and Land Investments in LICs	Land Investments in non-LIC with BIT	Land Investments in LIC not covered by BIT	Land Investments outside of LIC not covered by BIT
India	Djibouti, Ethiopia, Ghana, Lao People's Democratic Republic, Mongolia, Sudan, Viet Nam, Yemen, Zimbabwe.	Ethiopia, Sudan, Mozambique, Cambodia.	Madagascar, Cameroon.		Philippines
China	Benin, Bolivia, Cambodia, Cameroon, Ethiopia, Ivory Coast, Georgia, Ghana, Guyana, Laos, Madagascar, Myanmar, North Korea, Uganda, Viet Nam	Benin, Bolivia, Cambodia, Cameroon, Ethiopia, Laos, Uganda	Argentina, Australia, Indonesia, Philippines, New Zealand	Mali, Zimbabwe, DRC	
South Africa	Angola, Cameroon, DRC, Guinea, Ethiopia, Madagascar, Mauritania, Sudan, Tanzania, Zambia, Zimbabwe	Angola, Ethiopia, Tanzania, Zambia, Zimbabwe, Benin			Colombia

Source: By author combining Land Matrix Index and UNCTAD data.

However, the existence of this interesting overlap should not be taken as a demonstration that only BITs attract foreign direct investments, especially because of the relevance of Brazilian investments in land. The decision behind an investment depends on a plurality of factors, including the accessibility of the land, the availability of water, climatic conditions and, according to Oxfam, the low level of governance.[93]

b) BRICS-South BITs as a North-South copycat

Rather than acting as institutional and legal laboratories for testing new legal rules, and instead of constructing a parallel network of bilateral agreements based on new principles and new relationships between investors and states, BRICS-South BITs appear to replicate the same logic and, in some cases, the same wording as North-South BITs. Hypocrisy seems to be lurking in the background, as clearly demonstrated by the case of South Africa mentioned in the previous section. In the same 2009 Official Notice where the Department of Trade and Industry recommended supporting national investment conducted abroad with the conclusion of bilateral investment treaties, it also criticised some of the BITs previously concluded by the post-1994 government, claiming that:

> Existing international investment agreements are based on a 50-year-old model that remains focused on the interests of investors from developed countries. Major issues of concern for developing countries are not being addressed in the BIT negotiating processes. BITs extend far into developing countries' policy space, imposing damaging binding investment rules with far-reaching consequences for sustainable development.(...) New investment rules in BITs prevent developing country governments from requiring foreign companies to transfer technology, train local workers, or source inputs locally. Under such conditions, investment fails to encourage or enhance sustainable development. Various countries are reviewing their BIT regimes, so the RSA is not alone in the process.[94]

On the basis of these legitimate concerns, RSA decided to adopt a policy of not renewing some BITs that had been concluded by the first post-apartheid government, and which they considered imposed a huge burden on the State's prerogatives—such as that with the Belgium-Luxembourg Economic Union.[95] Yet, on November 27, 2012, the South African government concluded a BIT with its neighbour Zimbabwe, which clearly replicates the same legal architecture that it so roundly criticised in the Official Notice. The BIT included an extremely generous expropriation clause, which requires the state to fully compensate at market value in any case of nationalisation, expropriation or equivalent measures, with no exceptions admitted.[96]

Alex Berger also reports that China's post-1998 BITs strategy has been changing in order to accommodate the transition from investment-recipient to investment-exporter country. This has seen China making a gradual shift towards framing its BITs in a way that provides stronger provisions for substantive and procedural protection of foreign investments. As a consequence, Chinese BITs today include almost all the standard provisions found in mainstream European-country BITs,97 and Chinese investors have broad access to investment arbitration, as demonstrated by the case eventually settled against Gabon and the investment arbitration triggered by Chinese investors against Belgium in the aftermath of the European crisis.[98] A similar conclusion can be made about the bilateral strategy pursued by the Indian government, whose recent BIPPAs with Mozambique, Senegal and Libya contain broad definitions of investments, broad protection against expropriation and other losses for war, armed conflict, state of national emergency and civil disturbances, as well as arbitration as the mechanism of dispute resolution. These benefits granted to investors are not compensated for by any demands made on the investors' or source country's to protect human rights in the recipient country, nor by any special consideration for environmental, fiscal, macroeconomic or other sensitive issues.[99]

That BRICS countries are aware of the strategic role of BITs in enabling economically stronger economies to subordinate capital-recipient countries, is demonstrated by the duality of South Africa, the Chinese shift, the clear reproduction of North-South clauses in the Indian BIPPAs, and the rising pressures for a change in Brazilian policy. However, rather than reversing the past trends or looking at alternative models of cooperation like the schemes proposed by the *Alianza Bolivariana Para Los Pueblos de Nuestra America* (ALBA), BRICS are following the trajectory of the former colonisers, imposing their own expansion and the accumulation of cheap resources over the needs of "the wretched of the earth".[100]

SOVEREIGNTY TO ACCESS PERIPHERAL LAND: ARE *BRICS* ANY DIFFERENT?

This final section examines some cases where land-related concession agreements have been concluded between investors formally originating from BRICS members and another country from the South. The lack of transparency means the analysis is restricted to the content of four investment agreements concluded between Southern countries and investors originating from the BRICS.[101] Although partial, the picture offered by these contracts shows a clear pattern similar to the North-South trend.[102]

a) Legally seeing the land as void and available[103]

One of the crucial elements in the concession agreements concluded by BRICS investors with foreign states is represented by the use of the idea of eminent domain over public land to attribute non-titled land to investors, as though it was void and immediately disposable.[104] In the particular case of sub-Saharan Africa,[105] and despite several studies highlighting that there is no underutilised or void land in the continent, the agreements are drafted with a different reality in mind, which is thus codified and crystallised in a legal contract that the state can enforce against the occupiers.[106] As in the case of the

Karuturi (Ethiopia) agreement, the representatives of the state assume the obligation to "hand over vacant possession of the land" or to "ensure that such lands shall be free from encumbrances at the date of handover of such lands in accordance which the development project," and non-compliance would represent a contractual breach.[107]

From the moment when public land is contractually defined as void and empty—although effectively not so, or simply left fallow after a period of agricultural exploitation—the boundaries between legal and illegal occupations of the land are redefined in favour of the investor, who can further require the state to enforce the contractual disposition over the lived reality. Peasants who do not own a title, who do not commercially exploit nature, those who practice shifting cultivation, nomadic farming or hunting and gathering, suddenly become non-existent in the eyes of the law, and, in some cases, squatters on their own land. [108] Another example is provided by the investment agreement signed between Mali and China Light Industrial Corporation for Foreign Economic and Technical Cooperation (CLETC) for a large-scale agricultural project to be conducted in the area administered by the Office du Niger,[109] according to which the state assumes the obligation to create "land titles in the name of the State before they are attributed to the company."[110] In this way, the government enforces the agreement by dismantling the underlying system of customary rights and replacing it with formalised titles of public property, which is then attributed to the investor for its economic advantage. Even if the non-recognition of customary and non-titled ownership in the contracts may not result in immediate eviction, it still determines the enclosure of land which was part of the traditional property of local communities, and the impossibility of their using it in the future.

However, not all the investments are structured in the same way, as demonstrated by the recent cases of the Chinese investments in Argentina[111] and Russia.[112] These concessions do not specifically require the state to "empty" the land under consideration, but they do concede a determined area to the investor, with no clear definition of the way in which the transformation from public ownership to private lease will be conducted. The lack of a specific indication of the host state's obligations could be evidence that the parties are effectively targeting void land, but perhaps—and more likely—the way in which the investment agreements are drafted could indicate a complete disregard of the possibility of an overlap between the investment area and people's customary land.[113]

From a socio-political perspective, the acceptance of an investment project could represent a means for the host state to find a rapid solution to long-lasting political claims, such as the request for land titling and land redistribution. Thus the support of BRICS countries to their investors may indirectly help the recipient state to dismiss the requests of their citizens, and to adopt a pro-economic growth strategy which neutralises the land-related problems of that country. For example, Brazilian researcher Gustavo Oliveira has recently traced similar processes in the *Terra Legal* 'development project' adopted by the Brazilian federal government. According to Oliveira, by making ineligible land available, that is, by tracing lines, boundaries and guaranteeing property rights in strategic areas of the Cerrado, the executive is not only crystallising the status quo without any consideration for land reform, but also facilitating private access to land and its accumulation by national and international agro-industry.[114] Similarly, the *ex post* recognition of the illegal expansion of agro-industry and livestock production in previously non-titled Amazonian land (*grillagem de terra*), becomes a way of denying the rights of the local communities—seriously undermining their life conditions—and intensifying social tensions between them, the state and the farmers (that is, investors).[115]

b) Transfer of sovereignty over natural resources: BRICS controlling water

A second element exemplifying the subordination of host countries to the economic needs of the investors concerns the transfer of control over water, a scarce resource which is fundamental for agricultural production—as well as life. In order to profitably conduct their large-scale projects, investors usually rely on massive inputs of water. This is frequently diverted from its natural course—with downstream effects—or may place demands on upstream land users, particularly small-scale farmers. Investment contracts are the legal instruments that legitimise the appropriation of water for agro-industrial needs, and the codification of a power asymmetry that is detrimental to people's fundamental rights.

As in North-South investments,[116] South-South agreements also contain clauses that provide investors with unlimited—or extremely extensive—rights over water. For example, Article 3 of the agreement concluded between the India rose producer Karaturi Agro Products Plc. and the Government of Ethiopia, affirms that:

> The issues addressed include the rights of the lessee to develop the land, build infrastructure, *use water from rivers and ground water for irrigation*, administer the land personally or through agency, use mechanisation that the lessee deems fit, and terminate the contract with at least six months of prior notice. (emphasis added)[117]

In addition, Article 3.2 (c) of the same contract states that:

> The provision states the *lessee's rights* to build infrastructure such as dams, water boreholes, power houses, irrigation system [...] at the *discretion of the lessee* upon consultation and submission of permit request with concerned offices subject to the type and size of the investment project *whenever it deems so appropriate*. (emphasis added)[118]

In this way, investors from the South have used the private tool of the contract in order to circumvent individual and collective rights, with little or no public scrutiny. Through the contract, priority of access to water is guaranteed to the investors, thus subordinating the interests and needs of the local population. Moreover, an intervention by the state in favour of the right to water of its citizens—and contrary to the economic interest of the investor—could be judged a violation of the bilateral investment treaty, and open the doors to litigation and economic compensation.

It is also important to highlight that using the water and land resources of foreign countries reduces food and water stress in the source country while adding such stress in target countries. This is particularly relevant in the case of countries like South Africa, which has a moderate water scarcity index of 0.25. As Anseeuw et al. note, if all the investment undertaken by South African investors abroad were implemented in South Africa, the domestic average agricultural water consumption per hectare would double, and the total agricultural water consumption would increase almost six fold (5.8), with a dramatic impact on the national population.119

It is again clear that the economic and legal support that some of the BRICS countries are providing to their investors in order to start agricultural projects abroad represents a form of delocalisation of internal problems.

CONCLUSION

In this chapter, the intention has been to look at whether the BRICS rhetoric of "respect of national sovereignty" and the "promotion of solidarity"[120] is valid and applicable, using the issue of the 'global land grab' as a prism.Although Brazil, China, India and South Africa are involved in the global land grab at different levels and with different strategies, the legal analysis demonstrates that all four countries are using national and international law to subsidise, promote and legitimise the expansion of their agro-industry abroad, in a way that replicates the strategy adopted by Northern countries to access foreign resources.

In particular, the four BRICS members have created economic incentives that facilitate acquisition of land abroad—mainly by direct funding, by reducing duties on specific imported products, or by fostering technical cooperation with foreign countries for the expansion of agro-fuels.

China, India, Russia and South Africa's increasing promotion of bilateral investment treaties with Southern countries represents a reality of the multipolar world. This risks leading to a downward spiral of competition between countries—to transform their internal legal order into one more favourable for investors—with the sole interest of competing against neighbouring countries rather than obtaining the best for their people. The extension of this investor-protection regime has been bolstered by investment contracts that codify and crystallise the legal order that best suits the interests of the investors. In many cases investors' interests of economic expansion and the achievement of their own country's food security,[121] is prioritised at the expense of local access to land, sustainable use of natural resources, the fiscal autonomy of foreign countries and their food sovereignty.[122]

Brazil, South Africa, India and even China may "talk the talk" of sustainable development at home, but if we look at their behaviour from below, the consequences of their investments are suffered by the inhabitants of other countries, in particular low-income countries and poorer sectors of the population, especially women.[123]

Given the mounting importance of BRICS investments in land on a global scale, it becomes essential to reconsider the premises and assumptions of the South-South development discourse, and adopt a more critical approach capable of grasping the complexity of a multipolar world with a plurality of Souths and not one "Global South". "South-South" labels should not paper over nor legitimise further exploitation and subordination.With the aim of stimulating more internal research around intra-BRICS relationships and more studies about the origin of the capital which BRICS countries are representing abroad, this chapter concludes with two considerations. This research has revealed tensions in intra-BRICS relations that appear particularly interesting, and will require further analysis. On the one hand, the global stage is witnessing an increase in the cases of intra-BRICS cooperation for accessing land in third countries (as in the case of Chinese investors in South Africa and Russia).124 Supported by South-South rhetoric, BRICS may access resources and markets more easily and more rapidly.[125] On the other hand, cases like the Chinese investments in Russian land—or the anti-Chinese campaigns in Brazil— show these interests do not always converge. They can, in fact, even generate conflict that results in deepening diplomatic tensions, which could degenerate into a freezing of international relations. BRICS could also increasingly be competitors for the same finite resources located in a third country, which could potentially produce a race to the top in the quality and forms of the investments. Such competition could also—more likely—degenerate into an acceleration of resource grabbing, exacerbating the negative impacts on people and the environment.

The last point is an attempt to understand the real implications of the transnational nature of capital. For while BRICS are using national and international law to represent the interests of capital abroad, it does not seem possible any more to define capital as 'national'.[126] On the contrary, the transnational expansion of capital over the last decades, and in particular the huge amount of foreign direct investments that were channeled into the BRICS, should make us re-think the traditional idea of the state as a mechanism to represent and internationalise 'national capital '. This situation reminds us of Burnham's words, when he writes that:

> As political nodes in the global flow of capital, states are essentially regulative agencies implicated in its reproduction but unable to control this reproduction or represent unambiguously the interests of 'national capital'. Rather, state managers seek to remove barriers to the capital which flows in and through their territories. The fundamental tasks

> of state managers (from welfare to the management of money, labour and trade, etc.) therefore relate directly to ensuring the successful rotation of capital both nationally and internationally.[127]

The BRICS' role in representing the interest of their "national champions" can therefore hide their role in reinforcing the reproduction and consolidation of global capital, and particularly of capital originating from the North. Such a scenario, which is evident when Brazil and Japan conclude an agreement to expand their economic interests in Mozambique, challenges the myth that BRICS will replace the power of Northern TNCs and Northern-based capital with their own.

Rather it seems BRICS-South relationships are functionally oriented to the expansion of capital, reproducing a system based on power asymmetries and subordination that mirrors that of the former colonising powers. When land is lost to agricultural or industrial exploitation, the impact for people, communities and the environment is the same, regardless of their label or source. There is therefore a compelling need to redefine and rethink the confusing notions of BRICS and 'the South' as monolithic entities. We should also challenge the rhetoric that it is possible to achieve a different kind of economic growth while remaining within the same structural setting. If we go beyond state-centric and nationalist perspectives of state and capital, we expose the power dynamics and the state-capital nexuses between what is—too naively—considered horizontal cooperation. Then, we realise that there are no 'good' and 'bad' states, but only a complex mechanism of global accumulation which has to be challenged in all its local manifestations.

Endnotes

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4 Chin and Quadir underline that the construction of a different narrative begins with the choice of vocabulary. "For example", they write "rising states exhibit a reluctance to call themselves 'donors'. Instead, they view themselves as 'Southern development partners' and depict their assistance not as the delivery of 'aid', but rather as a process of building 'development partnership' based on solidarity and mutual respect. South Africa has named its new foreign aid agency the 'South African Development Partnership Agency', while India's forthcoming external aid agency will reportedly be called the 'India Agency for Partnership in Development'." Chin, G. and Quadir, F. (2012). *Introduction: rising states, rising donors and the global aid regime.* 494

5 If we interpreted the transformation from small-scale farming to large-scale industrialised operations as a form of 'internal land grabbing', all BRICS would be grabbers. However, if we only focus on the process of foreignisation of national interests through the access to foreign land by national investors, Russia has to be removed from the picture. For further information about the Russian internal land grabbing, Cf. O. Visser, N. Mamonova and M. Spoor, (2012). Oligarchs, Megafarms And Land Reserves: understanding land grabbing in Russia. *Journal of Peasant Studies*, *39*, 899–931.

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12 On this point, Ruth Hall notices that "The popular term 'land grabbing', while effective as activist terminology, obscures vast differences in the legality, structure and outcomes of commercial land deals and deflects attention from the roles of domestic elites and governments as partners, intermediaries and beneficiaries." Hall, R. (2011). *The Many Faces of the Investor Rush in Southern Africa: Towards a Typology of Commercial Land Deals*, ICAS Review Paper Series No. 2.

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20 As recently stated by Anseeuw et al., "Since its launch, the Land Matrix has attracted a high degree of attention, and stirred some controversy. It provides valuable lessons on the challenges and benefits of promoting open data on practices that are often shrouded in secrecy". While the dataset cannot be considered a fully reliable source of information, it certainly provides a useful guide to perceive existing trends and to create a more comprehensive picture of the 'global land grabbing'. Anseeuw, W., Lay, J., Messerli, P., Giger, M., and Taylor, M. (2013). Creating a public tool to assess and promote transparency in global land deals: the experience of the Land Matrix, *Journal of Peasant Studies*, *40,* 521–530.

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87 See Investment Treaty News (ITN), May 16, 2006, International Institute for Sustainable Development, available from http://www.iisd.org/investment/itn [last access July 21, 2014]

88 Cf. Art. 9, *memorando de entendimento entre o governo da república federativa do brasil e o overno dos países baixos sobre cooperação na área de bioenergia, incluindo biocombustíveis*, (2008) available from http://dai-mre.serpro.gov.br/atos-internacionais/bilaterais/2008/b_54/

89 Schlesinger, S. (2012). *Brazilian* International *Cooperation and Investments The* internationalization *of ethanol and biodiesel*, FASE, Rio de Janeiro Quoting the *2003-2010 Balanço de Polìtica Externa* issued by the Ministry of Foreign Affairs.

90 Mozambique: Agreement on Nacala Fund. (2012). *AllAfrica*. available from http://allafrica.com/stories/201207061132.html (last visited September 7th, 2012); Ferrando, T. (2013). *Mr Brasilia and Dr. Nacala*. Despite the general silence around the ProSavana project, some information can be gleaned from the media and from the institutions involved in the project.

91 Table elaborated by the author, combining the BRICS-South data concerning BITs produced by UNCTAD with the BRICS' investments in land data as discussed in the previous section of this paper. As anticipated, Brazil and Russia have been voluntarily excluded from this Table, although for different reasons.

92 The 'Low Income Country' category is used as defined by the World Bank, http://glm-lic.iza.org/files/GLM_LIC_Country_List_Phase_2.pdf.

93 *Poor Governance, Good Business: How land investors target countries with weak governance*, Oxfam, 7 February 2013, available from http://www.oxfamnovib.nl/Redactie/Downloads/Rapporten/finalmediabrief%20land%20(1).pdf [last accessed 2 May 2014].

94 Republic of South Africa DTI (Department of Trade and Industry), Notice 961 of 2009, 3 No. 32386, July 7, 2009.

95 The notice of termination was contained in a letter entitled, "Termination of the Bilateral Investment Treaty with the Belgo-Luxembourg Economic Union", from Maite Nkoana-Mashabane, Minister of International Relations and Co-operation, to the Ambassador of the Kingdom of Belgium to South Africa, Johan Maricou, on September 7, 2012. Cf. Green, A. (2012). South Africa: BITs in pieces, *Financial Times*, beyond the brics blog, October 19, 2012, available from http://blogs.ft.com/beyond-brics/2012/10/19/south-africa-bits-in-pieces/#axzz2LNfuwrtp [last visited 19 February, 2013].

96 Cf. Article 5 of the Agreement between the Government of the Republic of South Africa and the Government of the Republic of Zimbabwe for the Promotion and Reciprocal Protection of Investment, signed in Harare on November 27, 2009. Available from http://unctad.org/sections/dite/iia/docs/bits/SA_Zimbabwe.pdf [last visited February 18, 2013].

97 Berger, A. (2008).*China's new bilateral investment treaty programme: Substance, rational and implications for international investment law making*, Paper prepared for the American Society of International Law International Economic Law Interest Group (ASIL IELIG) 2008 biennial conference "The Politics of International Economic Law: The Next Four Years", Washington, D.C., November 14-15, 2008.

98 According to the available information, a Chinese company, Addax Petroleum, had brought the arbitration in December 2012 against Gabon, alleging that Gabon had expropriated its rights to the field by refusing to renew its operating licence earlier in the year. While Addax's claim was worth $330 million, Gabon counterclaimed for double that figure. The state alleged that Addax manipulated the costs of operating the Obangué field and had failed to pay customs duties. Apparently, the two parties agreed on a $400 million payment to Addax. Gabon settles Chinese oil claim. (2014). *Global Arbitration Review*, January 21, 2014, available from http://globalarbitrationreview.com/news/article/32216/gabon-settles-chinese-oil-claim/ [last accessed 2 May 2014].

Simon Rabinovitch and James Fontanella-Khan, Ping An in arbitration claim over Fortis, Financial Times Online, September 24, 2012, available from http://www.ft.com/intl/cms/s/0/87437290-0620-11e2-bd29-00144feabdc0.html#axzz3882Y4Xn8 [last access July 21, 2014].

99 Unfortunately, the India-Ethiopia BIPPA is not yet available. All the BIPPA concluded by India and currently in force can be consulted online, at http://finmin.nic.in/bipa/bipa_index.asp?pageid=3

100 Fanon, F. (1965). *The Wretched of the Earth*. New York: Grove Press.

101 All the documents cited have been obtained through Internet searches. Many more have been concluded, but are not publicly available. Cf. Land Rent Contractual Agreement Made Between the Ministry of Agriculture and Rural Development and Karuturi Agro Products Plc, Executed on October 25, 2010; Convention Particuliere sur les Conditions de Cession et de Bail des Terres au Nouveau Complexe Sucrier du Kala Superiereur (N-Sukala) entre le Gouvernement de la Republique du Mali et la China Light Industrial Corporation for Foreign Economic and Technical Cooperation, June 22, 2009; Acuerdo de Cooperacion para el Proyecto de Inversion Agro alimenticio entre Hellangjiang Beidahuang State Farms Business Trade Group Co., Ltd y el Gobierno de la Provincia de Rio Negro, Argentina; Land Rent Contractual Agreement Made Between Ministry of Agriculture and Hunan Dafengyuan Agriculture Co., Ltd, Executed on November 25, 2010.

102 The lack of transparency represents one of the biggest obstacles in the attempt to provide a comprehensive analysis of the ongoing land rush. Moreover, it raises serious questions about the respect of democratic prerogatives, because in the majority of the cases, the citizens of the state receive information about the contract (when they are informed) only once it has been concluded.

103 The idea of 'seeing' comes from the famous 1998 book by James Scott, where the author indicates that states utilise their authority to transform informal/illegible/illegal situations into institutionalized/legible/legal ones. This same mechanism of homogenisation and simplification that in the past exclusively involved the state, is currently taking place through the conclusion of concession agreements between investors and states. In order to satisfy the economic needs of capital, states look with lenses of formalism and modernity, and remove from the picture anyone who does not belong to that reality. Cf. Scott, J. (1999). *Seeing Like a State: How certain schemes to improve the human condition have failed*. Yale Agrarian Studies, New Haven, CT.: Yale University Press.

104 The myth of land as void and available is reinforced by the World Bank, states and investors. In addition, the idea of eminent domain is a product of the colonial rhetoric of non-occupied land as belonging to the colonial power. Cf. *Rising global interest in farmland: Can it yield sustainable and equitable benefits?* (2010). Washington DC: World Bank.

105 According to the majority of the constitutions of African nations, non-titled land belongs to the public, the nation or the state, that is, the institutionalized authority, which has the duty to manage but can never fully dispose of it. The occupation of the land by people without any official title is thus admitted but not legally recognised, and the state has the legitimate power to dispose of its natural resources.

106 Cf. Franco, J., Borras Jr. S. et al., (2013). *The global land grab: A Primer* ; De Schutter, O. (2011). How not to think of land-grabbing: three critiques of large-scale investments in farmland, *Journal of Peasant Studies, 38*, 249–279; Alden Wily, L. (2010). *Whose land are you giving away Mr. President?* Paper presented to the Annual World Bank Land Policy and Administration Conference, Washington; Alden Wily, L. (2011). *The tragedy of public lands: The fate of the commons under global commercial pressure,* contribution to ILC Collaborative Research Project on Commercial Pressures on Land, Rome; Ferrando, T. (2014). Law and the Exclusionary Essence of Large-Scale Investments in Sub-Saharan Africa Land, *African Journal of Legal Studies, 6*, 315–335.

107 Cf. Article 6.1 of the contract concluded between the Ethiopian government and Karaturi Agro Products Plc. (Rowden, R. (2011). *India's role in the new global farmland grab*.)

108 In Ethiopia, for example, a statement issued by the Ministry of Foreign Affairs in January 2010 affirms that "the Agricultural Investment Support Directorate has identified more than 7 million acres available now for lease [and that] Ethiopia has 74 million hectares of land suitable for agriculture out of its total 115 million hectares, but less than 15 million hectares is currently in use agriculturally." Politically motivated opposition to agricultural investment. (2010). *A Week in the Horn*, FDRE Ministry of Foreign Affairs, January 22, 2010. http://www.mfa.gov.et/Press_Section/Week_Horn_Africa_January_22_2010.htm. See Stebek, E.N. (2012). Between "Land Grabs" and Agricultural Investment: Land Rent Contracts with Foreign Investors and Ethiopia's Normative Setting in Focus. *Mizan Law Review 5*, 175–214.

109 It is a 50-year contract signed on June 22, 2009 concerning 20,000 hectares. The recent political events in Mali have had a repercussion over this specific investment, and over other large-scale investments conducted in the state. However, information is hard to obtain, and often inconsistent.

110 "*Création de Titres Fonciers au nom de l'Etat avant leur attribution à la société"* (unofficial translation made by the author). Article 3.2 of the Mali-CLETC contract.

111 One of the most controversial cases is represented by the already mentioned investment by the state corporation Beidahuang in the Rio Negro Region, which amounted to 320,000 hectares for the production of maize, soya and wheat.

112 The Heilongjiang Province has leased 426,667 hectares for agricultural purposes. Source: *Seized: The 2008 Land Grab for Food and Financial Security.* (2008). GRAIN; *Land Grab.* (2012). GRAIN; *Collating and dispersing: GRAIN's strategies and methods*, (2013).

113 Despite the claims by investors and states that projects are taking place in "available marginal lands"—that is, marginal, underutilised or unused, empty or sparsely populated, geographically remote, and socio-politically and legally available lands— broad evidence shows that land investments around "flex crops" and other food sectors are directly competing for fertile land with the local populations, creating struggles that are silenced by the contracts.Ferrando, T. (2013). *Mr Brasilia and Dr. Nacala.*; Ariza-Montobbio, P. et al., (2010). The political ecology of Jatropha plantations for biodiesel in Tamil Nadu, India. *Journal of Peasant Studies*, *37*, 875–897; Borras, S. M., McMichael, P. and Scoones, I. (2010). The politics of biofuels, land and agrarian change: editors' introduction, *Journal of Peasant Studies*, 37, 575–592; Borras, S. M. et al., (2012). Land grabbing and global capitalist accumulation: key features in Latin America. Canadian Journal of Development Studies/ Revue Canadienne d'Études du Développement, 33, 402–416.

114 Oliveira, G. de L.T. (2013). *Land Regularization in Brazil and the Global Land Grab*; Cf. Ministerio de Desenvolvimento Agrario de Brasil, *Terra Legal entrega 300 títulos a agricultores da fronteira durante Rondônia Rural Show, Secretaria Extraordinária de Regularização Fundiária na Amazônia Legal*, available from http://portal.mda.gov.br/portal/serfal/.

115 Anaya, J. (2009). *Report of the Special Rapporteur on the situation of human rights and fundamental freedom of indigenous people. Report on the situation of indigenous people in Brazil,* United Nations Human Rights Council. Available at http://www2.ohchr.org/english/issues/indigenous/rapporteur/visits.htm.

116 In the Gambella region of Ethiopia, for example, indigenous people are being forced by the government to relinquish their ancestral lands in order to make way for a 10,000 hectare rice plantation operated by the Ethiopian government and Saudi Star Agricultural Development Plc. The rice plantation is situated along the Alwero river, which is also a key source of water for indigenous rural communities that practice fishing, pastoralism and shifting cultivation agriculture. (Mousseau F. and Sosnoff G. (2011). Understanding Land Investment Deals in Africa *Country Report*: *Ethiopia.* Oakland Institute, San Francisco,

117 Although Article 3.3 of the contract affirms that the lessee has the right to use "irrigation water from rivers or ground water respecting present and future environmental and water laws and regulations without any disturbance to the environment with prior permission from responsible federal and regional institutions", it does not require the direct participation of local communities in the management and allocation of water, giving the state the full monopoly over this fundamental element of life.

118 The same disposition is contained in article 3 'Rights of the Lessee' concluded by the Ministry of Agriculture of Federal Democratic Republic of Ethiopia (FDRE) with Hunan Dafengyuan Agriculture Co., Ltd, concerning the 40 years lease contract over 25,000 hectares for development of sugarcane plantation and sugar processing, free of any other land rent.

119 Anseeuw, W. et al. (2013). *Creating a public tool to assess and promote transparency in global land deals.*

120 Mwase, N. and Yongzheng, Y. (2012). *Brics' philosophies for development and their implications for LICs.*

121 Cf. n Giménez, E. H. and Shattuck, A. (2011). Food crises, food regimes and food movements: rumblings of reform or tides of transformation? *Journal of Peasant Studies, 38(*1), 109-144; Patel, R. (2013). The Long Green Revolution, *Journal of Peasant Studies*, 40,1–63.

122 On the interpretations, differences and interactions between food sovereignty and food security, see Patel, R. (2009). Food sovereignty. *Journal of Peasant Studies*, *36,* 663–706; Boyer, J. (2010). Food security, food sovereignty, and local challenges for transnational agrarian movements: the Honduras case, *Journal of Peasant Studies*, *37,* 319–351; Dukehart, M. E. (2012). Security, Sovereignty, and the Lie of Scarcity: a Rhetorical Geography of Global Food Systems. ProQuest, UMI Dissertation Publishing ; Frye, J. and Bruner, M. (eds), (2012). *The Rhetoric of Food: Discourse, Materiality and Power.* London: Routledge.; McMichael, P. (2012). The land grab and corporate food regime restructuring. *Journal of Peasant Studies*, *39:* 681–701.

123 Cf. Kinoti, K., *Land grabs: the threat to African women's livelihoods*, OpenDemocracy.net, (2012), available from http://www.opendemocracy.net/5050/kathambi-kinoti/land-grabs-threat-to-african-women%E2%80%99s-livelihoods; Kinoti, K. (2012). *The Word on Women—Africa's Latest Land Rush: The Effect Of Land Grabs On Women's Rights*, 15 February 2012, available from http://www.trust.org/trustlaw/blogs/the-word-on-women/africas-latest-land-rush-the-effect-of-land-grabs-on-womens-rights; Behrman, J., Meinzen-Dick R. and Quisumbing, A. (2011). *Where is gender in the land grab debate?* International Land Coalition. Available at http://www.commercialpressuresonland.org/opinion-pieces/where-gender-land-grab-debate [last visited 14 March 2013]. For a general analysis of land rush, gender and globalization, See Tsikata, D. and Golah, P. (2010). *Land tenure, Gender and Globalization*: *Research and Analysis from Africa, Asia and Latin America*, International Development Research Center, Ottawa.

124 Analyzing the role of South Africa as gateway to African resources, Ruth Hall affirms that: "Though this trend takes the form of South African deals elsewhere on the continent, the phenomenon cannot be fully understood as 'South African imperialism' in Africa. The interests shaping it, the financing and the destination markets, extend far beyond South Africa. This is global capitalism." Hall, R. (2011). *The Many Faces of the Investor Rush in Southern Africa*; Yong, W. (2012), Harvesting opportunity on foreign soil. *China Daily*, December 4, 2012, available from http://usa.chinadaily.com.cn/epaper/2012-12/04/content_15984493.htm [Accessed December 6, 2012].

125 The anti-North/pro-South positioning emerges, for example, in the words of China's (then) Premier Wen Jiabao during his visit to Africa in 2006. Positioning China on the other side of the spectrum compared to the historical global powers, he reinforced the idea of solidarity and stressed the fact that China, like African countries, had been a victim of colonial aggression for over 110 years. "The Chinese nation knows too well the suffering caused by colonial rule and the need to fight colonialism," he said. Speech cited in Power, M. and Mohan, G. (2010). Towards a Critical Geopolitics of China's Engagement with African Development, *Geopolitics, 15,* 462–495.

126 Let's take as an example the $500 million Japanese investments in Brazilian ethanol production, or the investments by two U.S.-based conglomerates, Monsanto (acquisition of Aly Participacoes) and ADM (joint venture with the Grupo Cabrera) in the same country. In light of this, we should wonder whether it still makes sense to consider Brazilian ethanol as Brazilian, just because it is materially produced in Brazil, or if it would be better to understand and account for the financial complexity which lies behind it. Cf. Hofstrand, D. (20). *Brazil's Ethanol Export,* Iowa University, available from http://www.extension.iastate.edu/agdm/articles/hof/HofMay09.html [last accessed 5 May 2014].

127 Burnham, P. (2001). Marx, international political economy and globalization. *Capital and Class* 25(75), p. 110.

SHIFTING POWER /

Critical perspectives on emerging economies

CHAPTER NINE

THE BRICS AND GLOBAL CAPITALISM

WALDEN BELLO

The BRICS and Global Capitalism

WALDEN BELLO*

BRICS, as is well known, was a name coined by Goldman Sachs analyst Jim O'Neill to refer to promising emerging markets for finance capital that would extend the boom of the global economy in the first decade of the 21st century. But one can say that even if O'Neill had not invented the name, the BRICS would have emerged as a conscious formation of big, rapidly developing countries with an ambivalent relationship to the traditional centre economies of Europe and the United States.

THE CREATION OF A COLLECTIVE CONSCIOUSNESS

Perhaps the key arena where "BRIC consciousness" was forged was in the World Trade Organization. Barely had the WTO been established in 1995, than the United States and the Europe Union wanted more trade concessions from the developing countries. India and Brazil emerged as the key actors in a defensive strategy that resulted in the formation of the Group of 20. This formation emerged as the most formidable opposition to the unequal trade liberalisation that the North was foisting on the South, and was instrumental in bringing about the collapse of the Fifth Ministerial Meeting of the WTO in Cancun in September 2003. The Group, led by Brazil, India, and South Africa and fortified with the accession of China, played the key role not only in halting the Euro-American drive for greater liberalisation in the agriculture, manufacturing, and services sectors of developing countries, but in stopping the North's effort to expand the WTO's authority into the areas of investment, competition policy, government procurement, and trade facilitation.

The agendas of the BRICS in the WTO were not always the same. For instance, in agriculture, Brazil was more interested in opening up export markets for its soybeans and other plantation products in Europe and the United States, while India put the emphasis on protecting its small-peasant agriculture. But they were willing to subordinate their differences to a common comprehensive anti-liberalisation and pro-development agenda that helped bring the Doha Round of negotiations to a standstill.

The coordination achieved in the WTO was translated into cooperation in the other Group of 20, the group of governments that came together in response to the eruption of the global financial crisis in 2008, and in the global climate negotiations, where China and India essentially set the agenda for the Group of 77 and China.

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THE *BRICS* AND THE GLOBAL FINANCIAL CRISIS

In 2001, O'Neill identified the BRICS as the "drivers of global growth."[1] The next few years appeared to prove him right, as their performance on all key indicators, like the GDP growth rate, per capita income growth rate, and rates of return on investment, surpassed those of the US and other economies in the North. When the global financial crisis broke out, the BRICS at first seemed to be dragged down by the collapse of their markets in the North, with their growth rates slowing down significantly in 2008. However, recovery was swift, triggered in some countries by countercyclical stimulus programs. In China, for instance, a $586 billion stimulus program that was, in relation to the size of the economy, bigger than Obama's $787 billion stimulus in the US, reversed the economic contraction not only in China but also in neighbouring economies that had become greatly dependent on the Chinese economy to absorb their products.

It was this context of recovery in 2009 and 2010 that Nobel Prize laureate Michael Spence predicted in his book *The Next Convergence* that the BRICS would replace the US and Europe as the key engines of the world economy. In a decade, Spence confidently predicted, the BRICS share of global GDP would pass the 50 per cent mark. Much of this growth would stem from "endogenous growth drivers in emerging economies anchored by an expanding middle class."[2] Moreover, as trade among the BRICS increased, "the future of emerging economies is one of reduced dependence on industrial-country demand."[3]

Hardly had Spence's book come out when the performance of the BRICS put paid to his rosy predictions. Beginning in 2012, the stagnation of the global economy engulfed the BRICS in earnest, revealing the stimulus-triggered recovery of 2009 to be a short-term affair rather than a sustained passing of the baton of global growth from Europe and the US to the BRICS. Brazil's growth rate dropped from 5.3 per cent in 2010 to 1.5 per cent in 2012, India's from 8.2 to 3 per cent, Russia from 4.9 to 2.5 per cent, and China from 9.8 to 7.2 per cent. The near simultaneous slowing down of the BRICS' growth was accompanied by foreign capital outflows, plunging currency values, rising inflation, and growing inequality.

THE *BRICS* AS CAPITALIST REGIMES

Before we move to a closer examination of the causes of the crisis of the BRICS, it would be helpful to analyse the class character of these formations. Perhaps the most illuminating development in this regard has been the spread of high profile social conflicts, especially during the last decade.

The most explosive problem faced by the BRICS is the pent-up conflicts that had built up in the drive to develop. In Brazil, which has one of the highest rates of inequality in Latin America, with a Gini coefficient of 51.9, the payback came in the form of riots throughout the country in 2013. These were triggered by an explosive combination of transportation fare increases, deteriorating public services, and displacements of urban residents and corruption connected with the construction of infrastructure for the 2013 Confederations Cup and the 2014 FIFA World Cup. In South Africa, the illusion of BRICdom fostered by the 2010 FIFA World Cup was shaken by the protests of miners that climaxed with the infamous Marikana massacre, where troops fired on strikers and killed 44 in August 2012. Marikana exposed to the world a country where a developed country infrastructure coexisted with one of the world's most unequal income structures, with South Africa's Gini index standing at 63.1.

In China, "mass incidents"—the euphemism for protests—doubled between 2006 and 2010, rising to 180,000, according to the Chinese Academy of Governance.[4] The causes were varied, ranging from land grabs to official corruption to environmental degradation. Protests against pollution and other forms of ecological destabilisation appeared to be particularly numerous and underlined the authorities' subordinating the quality of life to the altar of high growth. In China and the other BRICS as well the notion appeared to reign that there was a trade-off between environmental protection and development.

In 2010, however, a successful strike for higher wages by workers of a Honda plant in Nanhai, Guangdong Province, inaugurated a new era of resistance, this time led by the workers that served as the backbone of export-oriented manufacturing. In June 2011, it was the turn of thousands of poorly paid garment workers in Zengcheng, the so-called "Blue Jeans" capital of the world to protest, with riots and strikes. These events were a dress rehearsal for the strikes involving some 30,000 workers in Dongguan, near Guanzhou, that hit the manufacturing subcontractor Yue Yuen, perhaps the largest producer of branded footwear in the world, in April 2014.

The significance of the labour strikes was pointed out in an article in *Jacobin*, the progressive electronic journal:

> More than thirty years into the Communist Party's project of market reform, China is undeniably the epicenter of global labor unrest. While there are no official statistics, it is certain that thousands, if not tens of thousands, of strikes take place each year. All of them are wildcat strikes - there is no such thing as a legal strike in China. So on a typical day, anywhere from half a dozen to several dozen strikes are likely taking place.

More importantly, the assessment continued, "*workers are winning*, with many strikers capturing large wage increases above and beyond any legal requirements. Worker resistance has been a serious problem for the Chinese state and capital and, as in the United States in the 1930s, the central government has found itself forced to pass a raft of labour legislation. Minimum wages are going up by double digits in cities around the country and many workers are receiving social insurance payments for the first time."[5]

The relationship to workers, a great part of whom are migrants from the countryside, is perhaps the key consideration in determining the nature of the character of the ruling regime in China. Though the Communist Party leadership retains its socialist ideological discourse, the reality is that thirty years after Deng Xiaoping's pro-market reforms, China, in the words of the Slovenian philosopher Slavoj Zizek, "is today the ideal capitalist state: freedom for capital, with the state doing the 'dirty job' of controlling the workers. China as the emerging power of the twenty first century…seems to embody a new kind of capitalism: disregard for ecological consequences, disdain for workers' rights, everything subordinated to the ruthless drive to develop and become the new world force."[6]

The other BRICS states may not have the same coercive and extractive power as the Chinese state, and three of them—Brazil, South Africa, and India—are electoral democracies, but all have relatively powerful central bureaucracies that have been the key instrument in the technocratic transformation of their economies. Lula's Brazil, it might be noted, inherited the developmental state forged by the Brazilian military-technocratic elite that produced the so-called "Brazilian Miracle" in the 1960s and 1970s; the African National Congress stepped into a centralised state apparatus that had been honed not only for repression but for extractive exploitation by the apartheid regime; and, of course, Putin's Russia inherited the old super-centralised Soviet state.

While there might be healthy discussion on whether all of these regimes might be called neoliberal, there can be no doubt that they are capitalist regimes, prioritising profits over welfare goals, loosening prior restraints on market forces, spearheading the integration of the domestic to the global economy, following conservative fiscal and monetary policies, exhibiting a close cooperation between the state elite and dominant forces in the economy, and, most importantly, relying on the super-exploitation of their working classes as the engine of rapid growth.

THE *BRICS* AND THE CENTRE ECONOMIES

It is arguable that the BRICS have been the main beneficiaries of globalisation. However, their integration into the world economy has been a process marked by complementarities and contradictions with the traditional centre economies of Europe and the United States. As noted at the beginning of this essay, they emerged as a conscious collective formation defending a protectionist trade agenda in the World Trade Organization.

True, some of them, particularly China, have developed investment regimes extremely hospitable to foreign capital, as Zizek has pointed out, but all have also manipulated foreign capital to accumulate technological and management expertise to eventually wean them off their dependence on the latter. Even as they have developed as dynamic centres of accumulation that energised or reenergised global capitalism as a whole, they have followed what might be termed as nationalist goals of enhancing their geopolitical and geoeconomic power vis-a-vis the traditional centres of global economic, political, and military power.

Their dialectical relationship to the dominant capitalist economies is what is missed by analysts who insist that the BRICS are being merely subordinates of the United States and do not see their rise as threatening the global economic hegemony of the United States and Europe. Complementarity and contradiction are the dialectical aspects of their relationship to the dominant powers, and this is exhibited most sharply in the relationship of China to the United States. China is, for instance, increasingly challenging the hegemony of the US dollar as the global means of exchange, even as it is in the process of supplanting the United States as the main investor and trading partner of many countries in Latin America, the US's so-called "backyard."

If competition is pronounced at the economic level, it is even fiercer at the geopolitical level since there is a greater degree of "relative autonomy" between the political relations among states than the economic relations among countries. Reductionist analysis of the BRICS fails to fully appreciate the phenomenon of geopolitical rivalry. In recent years, for instance, Beijing has moved from its policy of "peaceful rise" on the global stage to overtly challenging the military power of the United States and Japan, two economies to which China is deeply integrated, in the Western Pacific.[7] At the same time, ties between Russia and Europe and the United States, two blocs to which Moscow has developed significant ties, especially when it comes to finance and energy, have deteriorated as the Putin government has pushed back against NATO's expansion right onto Russia's doorstep in the wake of the collapse of the Soviet Union.[8]

THE *BRICS* AND GLOBALIZATION

One cannot fully understand the rise of the BRICS without considering the crisis of the global economy in the 1970s, when the so-called "Golden Age of Capitalism" driven by post-war consumer demand, the reconstruction of Europe, US military spending, and rapid economic development in the decolonised world came to an end in the twin crises of stagnation and inflation that, according to orthodox economic theory, were not supposed to occur simultaneously. "Stagflation," however, was but a symptom of a deeper problem: the reconstruction of Germany and Japan and the rapid growth of industrialising economies such as Taiwan and South Korea had added tremendous new productive capacity and increased global competition, but continuing social inequalities within countries and between countries worldwide limited the growth of purchasing power and demand. This contradiction eroded profitability.

But while economists of the then reigning Keynesian school were puzzled by stagflation, to progressive analysts, this phenomenon was a symptom of the classic capitalist crisis of overproduction or overaccumulation, which Marx had described thus: "The real barrier of capitalist production is capital itself…The means—unconditional development of the productive forces—comes continually into conflict with the limited purpose, the self-expansion of existing capital."[9]

In response to the crisis of profitability spawned by overproduction, capital evolved three escape routes: neoliberal restructuring, financialisation, and globalisation.

Also known as Reaganism and Thatcherism in the North and structural adjustment in the South, the aim of neoliberal restructuring was essentially to invigorate capital accumulation, and this was to be done by removing state constraints on the growth, use, and flow of capital and wealth, including geographic barriers; tearing up the "class compromise" between Big Capital and Big Labour that was the central social feature of the Keynesian state; and revising tax laws to favour the rich on the theory that the rich would then be motivated to invest and reignite economic growth.

The second escape route was "financialisation," or the increasing reliance of capital on investment in the "financial economy," in contrast to the "real economy," to maintain profitability. To use Marxist terminology, this was squeezing more value out of already created value. It was the explosion of unregulated, uncontrolled, non-transparent speculative activity that served as the trigger of the current global economic crisis.

The third escape route global capital took to counter stagnation was "extensive accumulation" or globalisation, or the rapid integration of semi-capitalist, non-capitalist, or pre-capitalist areas into the global market economy. This is the phenomenon of greatest interest to us since the rise of the BRICS was tied to globalisation.

To understand this link between globalisation and the BRICS, Rosa Luxemburg's *Accumulation of Capital* would be helpful. In that work, Luxemburg argued that to survive, capital needed a periphery in order to keep up the rate of profit by creating new markets, new supplies of cheap labour, and new sources of raw materials. In one of her most pithy assertions, Luxemburg wrote:

> Capital needs the means of production and the labour power of the whole globe for untrammelled accumulation; it cannot manage without the natural resources and the labour power of all territories. Seeing that the overwhelming majority of resources and labour power is in fact still in the orbit of pre-capitalist production—this being the historical milieu of accumulation—capital must go out and obtain ascendancy over these territories and social organisations…[I]n fact, primitive conditions allow of a greater drive and of far more ruthless measures than could be tolerated under purely capitalist conditions.[10]

Further, capitalism "needs non-capitalist social organisations for its development…[and] proceeds by assimilating the very conditions which alone can ensure its own existence."[11]

China is, of course, the most prominent case of a non-capitalist area to be integrated into the global capitalist economy over the past 25 years, but the numbers of workers and regions that the process of globalisation incorporated into the international economy in the last few decades to serve as cheap labour to offset the falling rate of profit encompassed much more than China and Chinese workers. As John Bellamy Foster, Robert McChesney, and R. Jamil Jonna note:

> This continuous search for low-cost position and higher profit margins led, beginning with the expansion of foreign direct investment in the 1960s, to the "offshoring" of a considerable portion of production. This, however, required the successful tapping of huge potential pools of labor in the third world to create a vast low-wage workforce. The expansion of the global labor force available to capital in recent decades has occurred mainly as a result of two factors: (1) the depeasantization of a large portion of the global periphery by means of agribusiness—removing peasants from the land, with the resulting expansion of the population of urban slums; and (2) the integration of the workforce of the former "actually existing socialist" countries into the world Capitalist economy. Between 1980 and 2007 the global laboru force, according to the International Labor Organization (ILO), grew from 1.9 billion to 3.1 billion, a rise of 63 per cent —with 73 per cent of the labuor force located in the developing world, and 40 per cent in China and India alone.[12]

CRISIS OF A MODEL

Export-oriented growth based on the incorporation and exploitation the of hundreds of millions of the global reserve army of labor from non-capitalist, semi-capitalist, or pre-capitalist societies was the mode of integration of most of the BRICS and some other developing and "transitional" economies into the global economy. This strategy focused priorities, incentives, and resources on the export sector, depressing demand and creating dislocations in the domestic market.

It is this regime of production that has come into crisis. And it has entered into crisis because instead of alleviating the crisis of overproduction to which globalisation was a response, it has deepened the crisis of global overproduction.

In this regard, it might be worthwhile to briefly explain why the escape routes from the crisis of accumulation in the 1970s-the triad of neoliberal restructuring, financialisation, and globalisation that we referred to earlier-ultimately failed to save global capitalism from stagnation.

First, let us consider the impact of neoliberal restructuring. Restructuring amounted to a redistribution of income from the poor and the middle classes to the rich, and figures are eloquent on this: the top one per cent of the population in the US cornered nearly 30 per cent of the national income in 2007, up from 10 per cent in 1957.[13] The problem with this solution to overproduction was that it gutted the incomes of the poor and middle classes, thus restricting demand, while not necessarily inducing the rich to invest more in production. In fact, what the rich did was to channel a large part of their redistributed wealth to speculation.

The truth is neoliberal restructuring, which was generalised in the North and South during the 1980s and '90s, had a poor record in terms of growth. Angus Maddison's statistical work—regarded as the most reliable—showed that the annual rate of growth of global GDP fell from 4.9 per cent in 1950-73 to 3 per cent in 1973-99, a drop of 39 per cent.[14] The United Nations confirmed this trend, estimating that world GDP grew at an annual rate of 5.4 per cent in the 1960s, 4.1 per cent in the 1970s, 3 per cent in the 1980s, and 2.3 per cent in the 1990s.[15] Neoliberal restructuring could not shake off stagnation.

On the second escape route, financialisation, this was an illusory solution because it involved investing not in the productive economy but in the financial economy, that is, in squeezing value or profits out of already created value, not creating new value. This was a fundamentally unstable process that rested on the creation of bubble or speculative mania where prices diverged from real values in the short term, providing the opportunity for profit making, but eventually crashed back to reality, wiping out billions of dollars of paper wealth and triggering downturns or recessions.

Profitability being dependent on speculative coups, it is not surprising that the financial sector has lurched from one bubble to another, or from one speculative mania to another.

Because it is driven by speculative mania, finance-driven capitalism has experienced about 14 major financial crises since capital markets were deregulated and liberalised in the 1980s, the latest of which was the collapse of the real estate bubble in the US that triggered the current global downturn.

Third, the problem with globalisation as an escape route is that it exacerbated the problem of overproduction because it added to productive capacity. To counter their declining profits, a sizable number of the Fortune 500 corporations moved a significant part of their operations to China to take advantage of the so-called “China Price” — the cost advantage deriving from China’s seemingly inexhaustible cheap labour. By the middle of the first decade of the 21st century, roughly 40-50 per cent of the profits of US corporations were derived from their operations and sales abroad, especially in China.[16] At the same time, a lot of Chinese productive capacity came on-stream, with the result that idle capacity in key industries such as steel, automobile, cement, aluminium, and real estate soared.

A tremendous amount of manufacturing capacity has been added in China and globally over the past 25 years, and this has had a depressing effect on prices and profits. Not surprisingly, by around 1997, the profits of US corporations stopped growing. According to another index, presented by economist Philip O’Hara, the profit rate of the Fortune 500 went from 7.15 in 1960-69 to 5.30 in 1980-90 to 2.29 in 1990-99 to 1.32 in 2000-02. [17] As for Chinese enterprises, government statistics revealed that the annual average annual profit growth rate of all major enterprises had plunged by half by 2005.[18]

It was consumption in the North that fed overinvestment in China and, to some extent, in the other BRICS, and when this collapsed owing to the outbreak of the global financial crisis in 2008--which translated immediately into a severe recession in the United States and much of Europe--the perils and limits of export-oriented production were brutally exposed.

THE EXPORT-LED TRAP

China’s crisis illustrates the difficulty of breaking away from the model of export-oriented production. As noted earlier, in 2008, in response to the crisis, China launched a $585 billion stimulus program to enable the domestic market to make up for the loss of export demand. Under the leadership of President Hu Jintao and Prime Minister Wen Jiabao, this was meant to be a strategic transition to a new domestic-demand centred economy. Achieving some success at first, China, however, reverted back to export-led growth oriented towards the US and European markets. The reason for the retreat was explained by Yu Yongding, one of Beijing's most influential economists.

> With China's trade-to-GDP ratio and exports-to-GDP ratio already respectively exceeding 60 per cent and 30 per cent, the economy cannot continue to depend on external demand to sustain growth. Unfortunately, with a large export sector that employs scores of millions of workers, this dependence has become structural. That means reducing China's trade dependency and trade surplus is much more than a matter of adjusting macroeconomic policy.[19]

Indeed, not only was the problem structural in nature. The retreat back to export-led growth reflected the powerful influence a set of forces from the reform period that, as Yu put it, "have morphed into vested interests, which are fighting hard to protect what they have."[20] The export lobby, which brings together private entrepreneurs, state enterprise managers, foreign investors, and government technocrats, remains the strongest lobby in Beijing.

Staying with the export-oriented model was a dead end according to Yu since China's "growth pattern has now almost exhausted its potential."[21] The economy that most successfully rode the globalisation wave, China "has reached a crucial juncture: without painful structural adjustments, the momentum of its economic growth could suddenly be lost. China's rapid growth has been achieved at an extremely high cost. Only future generations will know the true price."[22]

The new leadership of President Xi Jinping realizes the challenge that confronts China, but whether it will be able to succeed where Hu Jintao failed remains to be seen. There is a race against time especially when it comes to heading off the impact of the worsening income distribution occasioned by neoliberal and export-oriented policies that prioritised the interests of investors, management, elite and middle class, and the export sector.

THE FUTURE OF THE *BRICS*

With export-oriented production and globalisation entering into crisis, the question that emerges is what is the future of the BRICS?

That the BRICS will not move to break with their current paradigm of growth is certainly a possibility. However, there are serious discussions in ruling circles about ways to surmount the current crisis.

One option is for the BRICS to become more integrated with each other and with other developing country economies, along the lines of the strategy of "South-South Trade" or "South-South Cooperation" that has long been propounded by many progressive economists. Further integration is one of the key topics in the BRICS summits that now take place annually. There is, however, one problem with this solution, and it is that the fruits of integration would be limited if it involved highly unequal societies with restricted demand since large parts of the population are left out of the market.

The other solution, which the BRICS elites are not too enthusiastic about, is for the BRICS to adopt policies aimed at radically reducing income inequalities and thus creating vibrant domestic markets. The reason for the strong hesitations of the BRICS leaderships in taking this path is that it will involve no less than promoting a social revolution in these countries, since in South Africa, Brazil, India, and China, there are powerful interest groups that have congealed around the current economic regimes marked by conservative macroeconomic policies centred on export-oriented growth strategies. An even more fundamental question is, assuming that they can break with export-led growth, can the pursuit of policies promoting greater equality be undertaken within these countries' current capitalist frameworks, where raising the levels of profitability remains the elites' central concern?

The elites in the BRICS are dealing with the challenge of transformation in diverse ways. In India, the new BJP government of Narendra Modi seeks to revitalise the Indian economy by opening it up more fully to foreign investors and radically cutting down the budget deficit *a la* Tea Party partisans in the United States. This seems to be a prescription for continuing and deepening the past 25 years conservative neoliberal policies and thus is unlikely to succeed in surmounting the country's stagnation.

Perhaps in this area, the bellwether among the BRICS is again China, where the current leadership is very much aware of the consequences of the previous leadership's failure to make the break with the export-led growth model and make the transition to one based on a domestic market invigorated by radical asset and income redistribution. Whether Xi Jinping succeeds where Hu Jintao failed remains to be seen.

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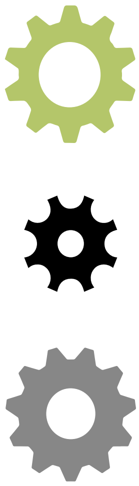

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