

The global role of the BRICS

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For some years now, Brazil, Russia, India, China and South Africa have been the most dynamic and fastest-growing poles of the world economy. Since the international crisis of 2008, these are the countries that have prevented the world economy from performing even worse than it actually has. All the indications are that the BRICS will continue to advance upwards through the ranks of the world's biggest economies over the coming years.

The power of the BRICS is indicated by some very impressive statistics. At the beginning of the last decade the BRICS were collectively responsible for about 10 per cent of total global GDP: the figure is now about 20 per cent. According to International Monetary Fund (IMF) projections, by 2017 the BRICS will account for a quarter of global GDP (both nominal and on the basis of purchasing power parity).

The IMF further predicts that the BRICS' contribution to total world economic growth over the course of 2012 will be 42 per cent. Or to put it another way, if it weren't for the BRICS the growth of the global economy this year would be reduced by almost half.

This dynamism can be explained by a number of factors, including fiscal and monetary solidity, robust financial systems, strategic economic policies, including the timely implementation of appropriate fiscal and monetary measures – and of course the fact that the economies in question are developing and have great potential for expansion.

At the same time, however, the continuing stagnation of the developed economies has recently come to affect the performance of the emerging economies, including the BRICS. This year has seen the economic slowdown of China, India and Brazil, and indeed of various other countries which until last year had been recovering quickly from the crisis.

The effects of the crisis in the rich countries are transmitted to the emerging economies through financial and commercial channels. On the financial side, the aversion to risk – an upshot of the sovereign debt crisis of some European countries, and the slow process of deleveraging in the banking system – makes it difficult for emerging countries to finance their balance of payments deficits, thereby precipitating currency devaluations and, in the most serious cases, capital flight. Also, the widespread pessimistic outlook

has an adverse effect on investment projects and on levels of consumption of goods and services. On the commercial side, reduced international trade lowers the prices of industrial goods and increases the volatility of commodities prices, with negative consequences for the exports of emerging countries.

It is clear from this scenario that the BRICS, though accounting for a significant proportion of global economic growth, cannot assume sole responsibility for leading that expansion over long periods of time. It is up to the developed countries to return to providing economic stimuli, to adopt anti-cyclical fiscal measures, and to overcome the political difficulties that still stand in the way of finding a quicker solution to the crisis.

It should also be said that in order for the dynamism of the BRICS countries to be maintained, there is a lot to be done in terms of deepening the economic cooperation between them. I believe that greater cooperation between the BRICS is also the key to reducing global asymmetries.

The global economic system is still tarnished by a number of significant distortions – of incomes, of markets, of institutions – that work in favour of the rich countries. Average per capita income in the G7 countries is still six times higher than in the BRICS. As for the institutions, an example of asymmetry is the distribution of quotas in the IMF: the BRICS have only 11.5 per cent of them.

Trade between the BRICS has grown fifteen-fold in only ten years. In the case of Brazil, also in the last ten years, total trade (exports plus imports) with the other members of the group has risen from 5.6 per cent to 20 per cent of the country's overall trade. In the financial field, cooperation between the BRICS is in its early days but has taken a significant step forward with the creation of the South-South Development Bank and the proposal to create a common pool of international reserves.

In June this year, with the same aim, President Dilma Rousseff and Chinese premier Wen Jiabao announced their decision to establish a R\$ 60 billion (190 billion yuan) local currency swap. With their economic advance and their commercial and financial cooperation, the BRICS will be able to maintain their dynamism and contribute to the reduction of global asymmetries. **E**

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