

Preface

On 10–11 August 2012, an international and interdisciplinary conference on ‘The Rise of the BRICS: Changing Paradigms for the Global Political Economy?’ was held on the Gold Coast, Australia. This conference was hosted by the Tim Fischer Centre for Global Trade and Finance and co-sponsored by the Commercial Law Centre, both of which are housed in the Faculty of Law of Bond University. Participants from various parts of the world conducted thought-provoking discussions over a wide range of issues, including economics, finance, trade, investment, international relations, foreign policy, development, sustainability, inclusion and exclusion. This book continues and expands the discussions by inviting the conference presenters, and two other academics and one lawyer who have an interest in the BRICS to make contributions. Accordingly this book contains rich contents, analysing and assessing the rise of the BRICS from diverse perspectives. Account has been taken of post-conference developments to 30 April 2013.

Preparing for the conference and editing the proceedings has been a joint effort. The planning committee consisted of Associate Professor Vai Io Lo as Chair, Professors John Farrar, Laurence Boule and Mary Hiscock, and Dr Umair Ghorl. The committee was strongly supported by the Faculty of Law and the Faculty Events Officer, Mairead Courtney. Vai and Mary have edited the proceedings with the editorial assistance of Tonya Roberts and Courtney Olden.

This book would not have come into existence without the collaborative efforts of the contributors. Hence we would like to express our sincere appreciation to everyone in this professional team. Last, but not least, we would like to thank our publisher, Edward Elgar, for turning the manuscript into this book. It is hoped that the book will generate further research interest into the implications of the rise of the BRICS on the global political economy.

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Introduction

Vai Io Lo and Mary Hiscock

The world has been dominated by the West since the eighteenth century, with the empires of the UK, France, Germany, Portugal and the Netherlands dividing up the resources of Asia amongst themselves. The genesis and continuation of such an imbalance in the world order is an intricate account of the economic, historical, political and social developments within individual countries or regions and between countries or regions. Even so a sketch of the global politico-economic history in the past two hundred years can put things into perspective.

In the nineteenth century, owing to scientific and technological advances and the consequential military might, as well as economic prosperity resulting from industrialization, European countries were able to secure resources (such as tea, coffee and timber), open foreign markets (such as those in East Asia) and proselytize the Christian faith through colonization and warfare. The first half of the twentieth century was afflicted with wars. The two World Wars reduced the political hegemony of European countries as they were left with devastated economies, while the US emerged as a super power as a result of its recovery from the Great Depression, late participation in the Second World War and possession of atomic weapons. At the same time, some existing countries were plagued with civil wars (such as China and Korea); while newly independent or emergent countries were left with empty coffers and a group of inexperienced and inefficient low-level bureaucrats. The ensuing Cold War cumulated in a bipolar world with the US and the Soviet Union as the leaders of their respective groups predicated on the ideological divide between capitalism and socialism.

During the 1990s, the ultimate destruction of the Berlin Wall and the collapse of the Eastern Bloc ushered in an era of US dominance. The corollary of US dominance is the acclamation of neo-liberalism (economics), democracy (politics) and the rule of law (jurisprudence). Although the newly industrialized economies in Asia, such as Taiwan, Singapore and South Korea, had impressive economic growth under state-led industrial policies, they were not able to posit a challenge to the US-dominated

world order either individually or collectively. Nonetheless, in recent years the Global Financial Crisis (GFC) and the European Sovereign Debt Crisis have cast doubt on the efficacy of neo-liberalism. Meanwhile the BRICS (Brazil, Russia, India, China and South Africa), a bloc of countries which span four continents and have recorded impressive economic growth, has emerged as a powerful group and caused developing countries to wonder whether development models other than the Washington Consensus espoused by the IMF and the World Bank should be adopted.

Against such a background, this book examines the BRICS retrospectively (what factors have contributed to the economic growth of the individual BRICS countries and what forces have driven the 'formation' or grouping of the BRICS), presently (what economic or political conditions the BRICS as a group or the individual BRICS countries have and what kinds of intra-BRICS relations, trade and investment are in progress), and prospectively (whether the BRICS countries will coalesce and expand into a powerful economic and/or political bloc). Although the rise of the BRICS has generated numerous issues, this book focuses only on such areas as economics, finance, trade, investment, international relations, foreign policy, development, exclusion and inclusion. Specifically, this book consists of the following chapters.

In an overview, H.E. Mr Biren Nanda traces the historical developments of the BRICS, highlights the differences, commonalities and complementarities of the BRICS countries, and heightens the potential role of the BRICS in representing developing countries and in tackling the challenges facing the world (Chapter 1). Based on macroeconomic indicators, Makin and Arora outline the economic performance of the BRICS as a group, and at the same time underscore the major differences within the group (Chapter 2).

Looking at the individual BRICS members, Lin, Lahiri and Ratnasiri, and Dos Santos examine the economic developments of China, India and Brazil, respectively. Lin illustrates the impact of tax, government spending and government debt policies on China's economic growth and argues that China's future growth hinges on investment in local infrastructure, investment in private enterprises, human capital and technological progress (Chapter 3). Lahiri and Ratnasiri explain that India has not followed exactly the classical model of economic development – a sequence of growth patterns in the economic sectors of agriculture, manufacturing and services – and underline the correlation between technology adoption and productivity (Chapter 4). Dos Santos depicts the unprecedented economic growth of Brazil, but also points out that Brazil's foreign trade and Mercosur membership may become obstacles to the conclusion

of a BRICS Free Trade Agreement (Chapter 5). In the case of Brazil, Ramaswamy also argues that despite the rosy picture of trade between Brazil and China, the Brazilian antidumping law and practice and the antidumping actions taken by Brazil against China will result in trade friction (Chapter 6).

As South Africa joined the BRIC group only in 2010, Boulle and Chella analyse the promises and challenges of its inclusion, while Laryea examines the impact of the BRIC on African countries. Boulle and Chella investigate the reasons for South Africa to join the group, outline the benefits to South Africa upon becoming a member of the group, but argue that South Africa is only a limited player in this transgovernmental network, which lacks the necessary administrative infrastructure to become a powerful bloc (Chapter 7). Laryea explores the benefits (such as the unleashing of African entrepreneurship) and pitfalls for the BRIC countries to engage with Africa (such as slowing the progress of governance reform in African economies) (Chapter 8).

With respect to the BRICS vis-à-vis the non-BRICS blocs or countries, Farrar and Ariff draw attention to two specific issues, namely, state capitalism and institutional investment. They highlight the sources of discord among the BRICS members, compare the BRICS with the EU and the US, and raise the issue of the BRICS' relationship with the non-BRICS countries (Chapter 9). Khalid compares and contrasts the economic performances of the BRICS countries, argues that the BRICS is only a 'trade bloc' due to diversities among its members, and suggests that the BRICS should open its membership to other Asian countries (Chapter 10). Ghorri argues that the BRICS can be a trade and investment hub and advocates an inclusive Free Trade Agreement model, under which proximate countries who are ready suppliers of manufacturing inputs may obtain spillover benefits (Chapter 11). From her background as a mining engineer, Karimova explores whether the BRICS can serve as a model for living on the earth (Chapter 12).

On the political side, Fortescue discusses the two possible motives – the 'great power diplomacy' versus the 'new diplomacy' – for Russia to step out of its comfort zone to actively engage the other BRICS countries, and argues that the weaknesses of the BRICS are also its strengths amid the drive towards a multipolar world (Chapter 13). In assessing the impact of the BRICS, Thirlwell maintains that although the rise of the BRICS has posed new challenges for global economic governance by creating a period of 'multipolarity without multilateralism', the diffusion of economic power in the world economy has not yet resulted in innovations in global economic governance (Chapter 14). Tyler and Thomas present the common arguments for and against the rise of the BRICS and conclude

that the BRICS countries just want to be included, but not to topple the existing international system (Chapter 15).

As regards law and development, Lo explains that law has played a significant role in China's economic development by providing the necessary regulatory framework for economic activities, and that China has chosen to chart its own course of development in light of its national circumstances by selectively and incrementally experimenting with reform initiatives, rather than adhering to every tenet of the Washington-based approaches (Chapter 16). On the other hand Sornarajah argues that international law has been used by the hegemonic US to achieve its ideological preferences, but the rise of the BRICS will lead to a new multipolar world order, which will, in turn, effect changes in international law (Chapter 17).

Given the differences, commonalities, complementarities and thus possible synergies between the BRICS countries, but in the absence of an institutional framework and a well-defined collective purpose, the concluding chapter explores the central question of whether the BRICS is a loosely formed intergovernmental network, a pressure group to raise awareness of the imperfections resulting from an unbalanced world order, or a powerful economic bloc that can effect paradigmatic changes in the global political economy.