I. Introduction

In 2003, Goldman Sachs issued an investment report that coined the now-famous acronym, BRICs jointly refer to the economies and states of Brazil, Russia, India, and China [1].

While these economies only reflected a small portion of the global GNP at that time, economists have projected that in 40-50 years, these nations may very well catch up to the OECD countries in their economic prowess. At the outset, these four BRIC nations are seemingly disparate; however, they have a common thread in that they are all developing nations with a significant growth potential.

In this paper, we will evaluate the BRIC economies for their impact on American Foreign Policy, and how this policy has both affected those nations and their attitudes towards the US. In particular, we will focus on the following areas of interest to understand and identify the emergence of these developing countries as international blocs, and their impact on the US foreign policy:

- Origin of BRIC
- Economic Comparison & US Trade Relations
- Political Comparison & US Relations
- Institutional Standing
- Conclusion

II. Origin of BRIC

At the outset, the choice for four seemingly unrelated nations into an economic category seems disingenuous. However, as we examine the historic economic data, a more detailed picture starts to emerge. For instance, in 2001 and 2002, the combined nominal GDP growth of emerging economies exceeded that of the G7 nations [1][2]. This is in line with a 2011 economic paper on GDP projections by the consulting firm PricewaterhouseCoopers, where the combined GDP of China and India alone was predicted to overtake most high-income OECD nations [3]. While currently seven out of the ten biggest economies (by GDP) are all developed nations (US, Japan, Germany, France, United Kingdom, Italy, Canada – down from nine in 2007), that number is projected to become four (US, Japan, Germany, and UK).

Furthermore, the monetary and economic impact of these nations emerging economies over time, both in terms of products and services as well as purchasing power through a growing consumer base is likely to fuel strong economic – and consequently – political clout. In light of this, we begin to understand a fundamental gap in the role that these countries play – or do not play, in this case. With the exception of Russia and China, none of the emerging markets have much of a say in world monetary policy and supporting institutions (e.g. IMF, World Bank) nor recognized political clout (e.g. United Nations).
One of the questions that is often asked is how the BRIC as a group compares against smaller economic or political organizations, such as MIST or ASEAN. It is worthwhile to point out that historically, political prowess has strongly been linked to economic prowess, and in this regard, the BRIC nations as a whole represent a much higher degree of economic growth than other similar groups. It is for the same reason that this analysis has not included South Africa: its GDP is currently ranked at #29, and a faltering economy and domestic political uncertainty will likely hinder its ability to rise to the ranks of China or India.

III. BRIC Economic Overview

In this section, we will analyze the economic performance of the BRIC nations and evaluate why BRIC as a group could be formidable challengers to the balance of power in the world.

Before we dive deeper into understanding economic performance of BRIC nations, it is worthwhile to look at historic data on the balance of power as evidenced by economic ability. The following chart shows the combined GDP broken down by percentage share of the top 9 powers over the past two thousand years. With the exception of Brazil, three of the four BRIC nations emerge as leading players.
This is also supported by the World Bank’s economic data on GDP growth since 2003, where China, India, Russia, and Brazil respectively exceed or equal (Brazil) world GDP growth and all four individually exceed high-income OECD GDP growth:
We also notice an interesting pattern emerge when we examine the breakdown of economic growth of the top eleven (to include Russia) economic powers:

Figure 4: GDP by Sector
Source: Index Mundi GDP by Sector

A few key trends to highlight are:

- Historically, economic strength has always been defined by industrial and production capabilities. In this light, the non-BRIC countries are moving towards service-oriented economies, while the BRIC economies are all moving towards production economies.
- While GDPs measured at PPP (purchasing power parity) are good indicators of living standards, GDPs measured at MER (market exchange rate) are better measures of relative market size of economies from a business perspective. In that regard, while the GDP per capita of the emerging markets (particularly BRIC) will likely still remain below high-income OECD and developed nations, the MER (and consequently the business and market growth) of these economies will far surpass the competition:
Given this economic background, we will now dive into the impact of these rising economies on world politics at large, and especially American Foreign Policy.

IV. BRICs: Political Climate & Foreign Policy

Politically, these nations are not an obvious group given the differences in their internal political structures. While all four are federal states, only Brazil and India are well established democracies, with Russia being a democracy only in name, headed by an authoritarian and oligarchic regime, and China being a Marxist people’s republic, also under an authoritarian regime.

In this section, we will analyze the political relationship of the BRIC nations under a variety of categories, but primarily with an economic undertone. We will evaluate how these political relationships are affected by American Foreign Policy, and the consequences thereof.

Balance of Power & Security Dilemma

One of the interesting aspects of power distribution between the BRIC nations is the balance of power between these nations and the world at large, and how this affects their policies. When we examine this balance of power through two outlooks – Defensive Realism and Offensive Realism – we notice a common thread emerge.

Of all the four BRIC nations, Brazil is the least influenced by a security dilemma, mostly given its location. It also has the added advantage of being the most powerful economy in South America, which strengthens its position. Russia offers an entirely different perspective: as a former “threat” to the United States and a (declining) superpower with a significant weapons arsenal, Russia is more concerned about its role on the world stage. Furthermore, the current Russian political climate does not lend itself well to a docile political outlook.

But of all the four BRIC economies, perhaps the most striking security dilemma is between India and China, for obvious reasons. Geographically, China’s close proximity to one of America’s strongest allies, Japan. Furthermore, politically, as a secular English-speaking democracy, India and the United States have common ground that is potentially threatening to the Chinese power base.

However, with the increased interdependence on trade between all these nations and the United States, other factors take a backstage to trade. Furthermore, given that the United States is not actively engaged in war (or at
a political impasse) against any of these countries, it becomes easier to evaluate the security dilemma through an economic worldview.

But before we begin, it is worthwhile to examine the Balance of Trade between the United States and each of these economies, as of September 2012. [10]

<table>
<thead>
<tr>
<th>Country</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$32,208.3 million</td>
<td>$25,321.0 million</td>
<td>$6,887.3 million</td>
</tr>
<tr>
<td>Russia</td>
<td>$7,496.6 million</td>
<td>$21,918.3 million</td>
<td>$-14,421.7 million</td>
</tr>
<tr>
<td>India</td>
<td>$16,266.7 million</td>
<td>$31,265.1 million</td>
<td>$-14,998.4 million</td>
</tr>
<tr>
<td>China</td>
<td>$78,790.4 million</td>
<td>$310,970.9 million</td>
<td>$-232,180.5 million</td>
</tr>
</tbody>
</table>

Table 1: Balance of Trade between the United States & BRIC Countries
Source: United States Census Bureau – U.S. Trade in Goods by Country

While we can examine the security dilemma through a regular Prisoner’s Dilemma analysis, we will introduce the economic element: A given country has more (or less) to lose on the basis of the balance of trade between it and the United States. Therefore, while we can evaluate the dilemma given that all things being equal, what is the incentive for a given nation state to be on the Offensive or Defensive with the United States? For instance, if trade between the United States and China were to cease, the US would lose $78,790.4 million but stand to gain $310,970.9 million. Given this, what is the economic incentive for China to be offensive versus defensive, compared to its BRIC counterparts?

We will simplify this analysis by assigning an Export/Import coefficient that corresponds to the actual numbers (e.g. $32,208.3 million becomes 32, for the sake of simplicity) and evaluate how much a country stands to lose or gain by an offensive/defensive stance.
### Table 2: Prisoner’s Dilemma Analysis with Trade Coefficients

What exactly does this mean to the balance of power between the BRIC economies and the United States? We find that of all the nations, Brazil has the least to lose while China has the most. Given this as a baseline for analysis, we can now evaluate an outlook of Defensive Realism with an outlook of Offensive Realism for each one of these nations. The underlying assumptions here are as follows [5] [6]:

- States are more incentivized to pass the buck where possible (since war has economic and trade consequences)
- Except when threatened, states have an incentive to pursue the status quo
- States will cooperate where possible and when it is in their interest to do so (either balancing or bandwagoning)
- States have an incentive to support institutions when it is in their interest to do so
- Where possible, states will practice anticipated balancing in the interest of trade

<table>
<thead>
<tr>
<th></th>
<th>OFFENSIVE</th>
<th>DEFENSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IN (+16)</td>
<td>US (+31)</td>
</tr>
<tr>
<td>India</td>
<td>-IN (-16)</td>
<td>+US (+31)</td>
</tr>
<tr>
<td>China</td>
<td>-CN (+79)</td>
<td>-CN (+310)</td>
</tr>
<tr>
<td>Brazil</td>
<td>-CN (-79)</td>
<td>+US (+310)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Defensive Realism</th>
<th>Offensive Realism</th>
<th>Most Likely Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Anticipated balancing against Venezuela through trade with other countries in S. America, BRIC, and the United States.</td>
<td>Less likelihood of interference from United States or Europe, given the geographic location.</td>
<td>Neutral/Positive with the United States. A defensive approach will also help Brazil in its goal of becoming a permanent member of the UN Security Council.</td>
</tr>
<tr>
<td>Russia</td>
<td>Declining Russian hegemony, decreasing European dependence on oil and natural gas, and bandwagoning of smaller Eastern European nations to join the EU supports this approach.</td>
<td>As Russia becomes increasingly closed, internal political climate, posturing, and an authoritarian regime provides incentive for expansion through expansionist tools. Decreasing US interest and trade relations provide Russia with a “nothing to lose” perspective.</td>
<td>A combination of expansionist posturing in some areas (e.g. Georgia) with a mostly defensive approach in others (e.g. with Europe &amp; EU), and a mostly positive relationship with the United States.</td>
</tr>
</tbody>
</table>
Increased trade with the US and Europe, increased dependence on foreign oil, and nuclear deterrent provides India with an incentive to go with this approach.

Increased threat from Pakistan and China, declining Indo-Russian relationships, and increased support from the United States could help India become expansionist in some areas.

A defensive approach will be best for trade and economic growth, especially since India, like Brazil, seeks to become a permanent member of the UN Security Council.

Highly interdependent on the US for trade, increasing trade relations with Europe, increased dependence on foreign oil (mostly in its manufacturing sector), and deterrence from both Japan and India both provide incentives for defensive realism.

Closed internal political climate, perceived regional threats from India and Japan as a result of increased US hegemony, and declining American economic clout could incentivize China to become expansionist.

A combination of aggressive, expansionist posturing in some areas (e.g. Tibet and Taiwan) with a mostly defensive approach in others (e.g. with Singapore and South Korea), and a mostly positive relationship with the United States.

### Unilateralism vs. Multilateralism

In light of our Balance of Power analysis, let us once again evaluate what incentives are available to the BRIC countries to be unilateral or multilateral. Unlike the Balance of Power analysis, we will evaluate unilateralism and multilateralism under three areas:

1. Unilateralism as it pertains to the world at large
2. Unilateralism as it pertains to each other
3. Unilateralism as it pertains to the US

However, we will also add another economic bargaining tool to the mix: Public Debt. The reason for this is that unlike free trade, countries that hold American debt facilitate capital inflow and could therefore affect US interest rates. While reserve diversification by holders of American debt is unlikely (given the lack of other suitable assets, with the exception of gold), increased foreign debt and trade imbalances could yield a sovereign debt crisis for the United States [7]. This is potential leverage for those countries that hold significant quantities of American debt.

Before we get started, it is worthwhile to look at the External Debt vs. GDP for all the BRIC countries as well the US and Japan. The reason for including Japan is because outside of China, Japan is the largest holder of American debt and is an American ally. This, coupled with geographic proximity to China, could play a role in how China may perceive its leverage in holding American debt.

<table>
<thead>
<tr>
<th></th>
<th>External Debt (USD)</th>
<th>GDP (USD)</th>
<th>Ext. Debt to GDP (2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>310,800,000,000</td>
<td>2,492,907,000,000</td>
<td>15%</td>
</tr>
<tr>
<td>Russia</td>
<td>501,300,000,000</td>
<td>1,850,401,000,000</td>
<td>23%</td>
</tr>
<tr>
<td>India</td>
<td>267,100,000,000</td>
<td>1,826,811,000,000</td>
<td>21%</td>
</tr>
<tr>
<td>China</td>
<td>697,200,000,000</td>
<td>7,298,147,000,000</td>
<td>8.7%</td>
</tr>
<tr>
<td>United States</td>
<td>16,053,420,600,000</td>
<td>15,075,675,000,000</td>
<td>103%</td>
</tr>
<tr>
<td>Japan</td>
<td>2,719,000,000,000</td>
<td>5,866,540</td>
<td>45%</td>
</tr>
<tr>
<td>Unilateralism: World</td>
<td>Unilateralism: BRIC</td>
<td>Unilateralism: US</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>No incentive for global unilateralism given geographic location and economic dependency on exports. No significant debt held nor owed.</td>
<td>More incentive to work with the BRIC economies to facilitate trade agreements.</td>
<td>No incentive for unilateralism with the United States outside of political posturing.</td>
<td></td>
</tr>
</tbody>
</table>

Unilateralism in regional areas for economic incentives (e.g. oil supply, pipelines etc). As the US deprioritizes Russia and Eastern Europe, it gives more incentive for Russia to be unilateral in that region. | With the decline of Indo-Russian relationships, Russia has more incentive to work with China since it is the only other ideological “ally” in the international arena, even if the roles between Russia and China seem to have reversed over time. | No incentive for unilateralism with the United States since it is in Russian interests if the US interferes less in Russian or Eastern European affairs. No significant debt held nor owed. |

Increased unilateralism in the region, given potential threats from China and Pakistan. The Indian economy is highly dependent on Foreign Institutional Investors, which influence it from taking a more aggressively unilateral role. | Increased threat from Pakistan and China and declining Indo-Russian relationships increases the importance of dialogue. The Chinese ownership of American debt also places India at an impasse since that provides China with leverage over the US. | Given increased FII and increased ownership of Indian debt by private American enterprises, the incentive for India is to be accommodating to the United States. |

Increased multilateralism in the world given its extremely strong economy, given its leverage over the United States, and given its increasing political clout in East/South East Asia. However, increased oil dependence could temper some of this. | Potential threat from India and Japan (which also holds significant American debt) and good relationship with Russia provides China with the incentive to be unilateral in dealing with the BRIC. This was demonstrated by the Chinese addition of South Africa to the group. | While China owns a significant portion of American debt, the Chinese economy is also highly interdependent on a vibrant American economy. Moreover, China lacks the political clout over other nations and blocs (e.g. EU) that the US possesses. There is incentive for China to have multilateral dialogue with the US. |

**Military Tilt: Offense vs. Defense**

So far, we have evaluated the BRIC economies for the approach towards Balance of Power and potential Unilateralism versus Multilateralism. With this in place, it is easy for us to plug in the Van Evera’s framework for evaluating *Offense vs. Defense Tilt* of the BRIC nations.

Evera hypothesizes that three factors (derived from geography, military doctrine, social and political order, and diplomatic arrangements) help determine *tilt* [11]:

- War is more likely when conquest is easy: No one country in the BRIC group has any incentive to go to war, especially since there are regional or global deterrents in place. Both China and Russia push towards unilateralism in some areas (e.g. Taiwan and Georgia, respectively), but are largely wary of open aggression for reasons that we have discussed. Similarly, China and Pakistan act as a counter towards any aggression on India’s part, and as a leading producer in South America, Brazil has more incentive for trade than aggression.
Opportunities for aggression (or perception of vulnerabilities): There is significant US involvement or perceived American presence in the regions where BRICs have influence. Given the hegemonic representation of the United States in those respective regions, there is less incentive for aggression. Furthermore, given the American influence in the international trade arena (both with the US as a consumer and the US' ability to influence European trade), aggressors are less likely to seek open confrontation. In that sense, the strong economies of all the BRIC nations gives the US political leverage over potentially aggressive stances.

Actual versus perceived power: While all the BRIC economies are considered powerful in their regions, only Russia and China are truly seen as strong and potential aggressors. The democratic governments in both Brazil and India make it difficult for either nation also incentivizes the domestic governments to seek diplomatic solutions.

V. Institutional Standing

Of all the four BRIC nations, only China and Russia are permanent members of the United Nations Security Council. While both Brazil and India have sought permanent voting status, that is yet to be granted.

Despite the significant economic clout and populations, the BRIC countries have limited say in the World Bank or the IMF, and are not included in most multilateral summits. For instance, with the exception of Russia, neither China nor India and Brazil are included in the G-8 summit, which acted as the main economic forum for setting global economic policy. While both France and the United Kingdom attempted to include additional countries to these summits, most notably the O5 or Outreach Five (consisting of Brazil, China, India, Mexico, and South Africa), their inclusion was not formalized until 2008. [12]

However, on September 25, 2008, it was decided by the G-8 to redistribute their quotas and vote shares at both the IMF and the World Bank and use the G-20 in place of the G-8 as the main forum for nations to set world economic policy. [8]

To that end, in December 2010, the International Monetary Fund realigned the quotas and shifted up to 6% of IMF voting shares to the four Emerging Market & Developing Countries, or EMCDs (namely Brazil, China, India, and Russia). [9]

With that said, it is worthwhile to note that while G20 provides an informal forum to set economic policy, the G20 resolutions are not legally binding. Furthermore, arbitration of trade disputes and resolutions still rest with other groups (such as the World Trade Organization, or previously the General Agreement on Tariffs and Trade), with limited influence from any of the BRIC economies.

VI. Conclusion

As we look back at the BRIC economies, the common thread that emerges is that of economics. As emerging economies, all these nations have more incentive to participate and maintain active trade relations – not only with the United States, but also with one another, and with other countries in the world.

However, individual political and economic climates, amongst other factors, play a role in how the BRIC countries react to both the United States and to the world at large. With that, given below is a “baseball card” for each of the BRIC nations that could be used as a point of reference for a variety of foreign policy objectives.

In the following charts, red indicates an offensive tilt and white indicates a neutral/defensive tilt.
Post Scriptum

In 2009, the BRIC economies formalized the group and held the first summit at Yekaterinburg, Russia. What is surprising about this is that while the term BRIC was used to loosely refer to four disparate nations (geographically, culturally, or politically), they chose to formalize that designation as a group. Why is this so?

In this analysis, there is a key pattern that emerges: that of increased global participation.

- Currently, all of the BRIC nations have limited say in global monetary policies, despite strong economies.
- In a similar vein, these countries also have limited say in world economic and political forums.

As growing, strong economies, they see the world economy as being predominantly dominated by western and other developed nations. In that regard, BRIC serves the purpose of being a mutually beneficial group to primarily establish and further economic cooperation.

Currently, the BRIC economies contribute to 15% of the world’s GDP and that number is projected to increase significantly in the years to come. [3] These countries are also home to over 2.8 billion people. Given this, it behoves both the United States and the rest of the western world to acknowledge and include these nations in global decision-making, if only to pre-empt potential conflicts as these nations become increasingly powerful.
References