

## China Dominates BRICS Summit

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The BRICS (Brazil, Russia, India, China, and South Africa) intergovernmental organization recently met for its fifteenth annual summit in Johannesburg, South Africa from August 22nd to 24th. What created headline buzz this year was the invitation of six other countries to join the organization: Saudi Arabia, Ethiopia, Egypt, United Arab Emirates, Iran, and Argentina.<sup>1</sup> On the surface, there is no obvious commonality among these countries other than that some are not represented in other existing multilateral organizations such as the G20. They have very different systems of government and varied economies, both from each other and from the current BRICS members.

Perhaps the most compelling reason for their invitation was to expand the economic clout of the group. The combined global GDP of the BRICS organization would rise from 32% to 37%, providing its members with potentially more economic bargaining power. However, differing cultures and interests could be an impediment to meaningful cooperation. New potential member country Indonesia declined the BRICS invitation, while Argentina, which applied for membership, did not send representatives to the summit.<sup>2,3</sup>

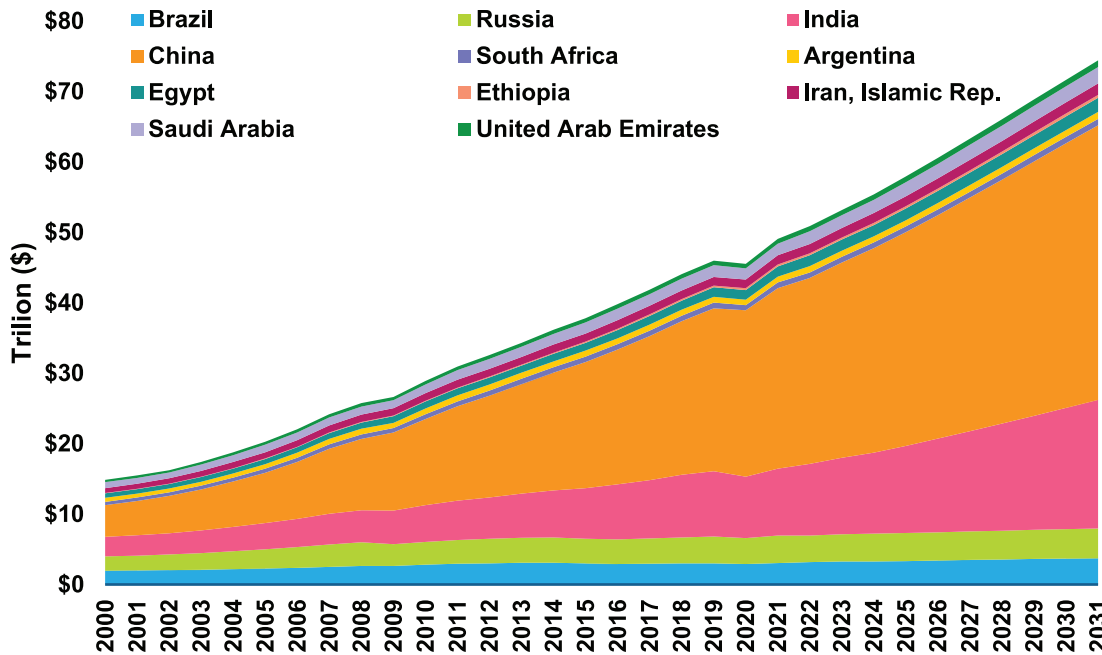
<sup>1</sup> Source: BRICS Summit, August 2023.

<sup>2</sup> Source: Bloomberg, "Argentina's Top Presidential Candidates Reject BRICS membership," August 24, 2023. Argentina was invited on the insistence of President Lula of Brazil according to some sources.

<sup>3</sup> Source Financial Times and Council on Foreign Relations. The BRICS Summit 2023: Seeking an Alternate World Order? August 31, 2023.

Although the combined GDP of the original BRICS and potential new members totals approximately \$80 trillion, China constitutes by far the largest single economy in it (see Figure 1). China, as the BRICS' most economically dominant member, may be using the organization's expansion to bolster its own ambitions. According to the Director of the SOAS China Institute in London, Steve Chang, "China under Xi is looking to use BRICS for its own purposes, particularly in extending its influence in the Global South."<sup>4</sup> As it stands today, members of the BRICS trade mostly with China and not each other, which may signal China's focus of countering the G7 and the G20 more so than promoting economic cooperation and trade among the members.

<sup>4</sup> Source: New York Times, "The BRICS Club of Emerging Nations Debates Letting Others In," August 24, 2023.



**FIGURE 1**  
**BRICS Member Countries**  
**GDP (PPP in USD)**

Source: Oxford Economics as of September 2023.

## BRICS Background

The term BRICs was coined by Goldman Sachs economist Jim O'Neill in 2001 where he grouped the four largest emerging market countries - Brazil, Russia, India, and China - into a single investment theme.<sup>5</sup> At the time, the four economies equaled about eight percent of global GDP. O'Neill proposed that the rise of the BRICs would be of such significance that "world policy making forums should be re-organized and in particular the G7 should be adjusted to incorporate the BRIC representatives."<sup>6</sup> The investment group became a self-organized political group in 2008, and South Africa was included in 2010.<sup>7</sup>

<sup>5</sup> Source: Goldman Sachs Insights November 2001.

<sup>6</sup> Source: Ibid.

<sup>7</sup> Source: Jim O'Neill, "The Future of the BRICS and the New Development Bank," Global Policy February 2023. Goldman Sachs tried to build on the successful BRIC concept with the MINT group (Mexico, Indonesia, Nigeria Turkey) and the Next 11.

## Global Fragmentation and China's Continued Ascent

Enthusiasm for multilateralism and globalization dwindled as the repercussions of the Global Financial Crisis persisted. BRICS members Russia and Brazil suffered as commodity prices cooled with the end of the commodity super-cycle, while China looked inward to off-set the slowdown in global trade.

With the US, Europe, and Japan struggling to reignite growth and investment at home, China started to turn its growing economic power into foreign policy power, especially in emerging countries. China's Belt & Road Initiative ("BRI") ensured the expansion of its 'soft-power' across the global south from Argentina to the Sudan to Pakistan.<sup>8</sup> The BRI was launched in 2013 by President Xi and has lent hundreds of billions of dollars to 140 countries to "export China's industrial overcapacity, boosting China's diplomatic clout and enhancing its global influence."<sup>9</sup> Under President Xi, China's rise was transformed into a steady expansion of geopolitical and economic influence, and the BRICS Summit has become yet another vehicle for China's foreign policy goals.

<sup>8</sup> Source: C. Lu, "China's Belt and Road To No Where," February 2023. In 2022, 60% of China's foreign lending went to borrowers in financial distress according to AidData Research Group compared to 5% in 2010.

<sup>9</sup> Source: C. Lu, "China's Belt and Road To No Where," February 2023. Since the global pandemic it is estimated that China has written-off approximately \$78 billion in bad loans in the BRI program. Estimates also include another \$240 billion in forbearance schemes. Financial Times; J. Kynge, "China Hit with a Surge in Belt and Road Bad Loans," April 16, 2023. According to state media Xinhua, the friends of the BRI will meet in October 2023 to celebrate the ten-year anniversary with 150 countries who have been lent over \$1 trillion US dollars since 2013. Xinhua, August 31, 2023.

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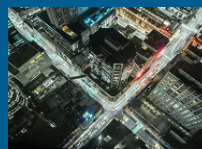
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