



## BRICS Summit: New Initiatives but Dubious Clout

*Anders Åslund says Brazil, Russia, India, China, and South Africa have little in common except for anti-Western attitudes, and their latest steps are unlikely to increase their economic and political clout.*

*Transcript of interview recorded July 17, 2014. © Peterson Institute for International Economics.*

Steve Weisman: The leaders of Brazil, Russia, India, China, and South Africa, the countries known as the BRICS, recently completed a summit session on the Brazilian coast. They announced a couple new measures, including a reserve fund and development bank. Anders Åslund of the Peterson Institute for International Economics has written with some skepticism about the future of the BRICS. What did they do at this summit, and were you impressed?

Anders Åslund: Finally they managed to make two big decisions about institutions. Previously the BRICS have really only been a conference. And now they have decided to set up the new development bank with \$50 billion of capital, and a swap arrangement of \$100 billion. The first sounds much more important than the other, because swap arrangements you can have without any major institution, while a development bank is really an institution.

Steve Weisman: Are they big enough to address the kinds of crises that roll through the world's financial system, and is there enough money for any real development impetus?

Anders Åslund: No, they are not. If you take this continuous reserve arrangement, the credit swaps, that \$100 billion, and we don't know how available the money really is, since they offer shares of the international reserves of these countries, and this \$100 billion can be compared with \$600 billion that the US did, without any particular noise. It gave credit lines to European and other countries in late 2008, or the IMF has an available capital of \$1 trillion.

Steve Weisman: So, is this a solution in search of a problem? What sort of role can they play?

Anders Åslund: The essence is that BRICS now have formed two institutions or particularly this new development bank, and there are many development banks in the world. The World Bank is of course the most prominent. The China Development Bank is a big national institution, and there are big regional development banks. So why not have a new development bank. There is a need for a lot of capital, but this is not a big issue.

Steve Weisman: The BRICS began as a concept, as you and others here have said, of an investment bank. They increasingly see themselves as a force, and we heard a presentation today, that in some ways the BRICS have kind of supplanted or become a new chapter in what used to be called the Non-Align Movement. How cohesive is their unity, economically and politically?

Anders Åslund: It's not cohesive. You can say that the essence of it is anti-Western, anti-American. It was Russia that gathered the BRICS for the first summit in Russia, in the summer of 2009, barely one year after Russia's war in Georgia. So it's very much Russia that wants to shore up resistance against the United States and the European Union.

China wants to utilize it to become a more dominant power, and also to become a multilateral power and lead some institutions. Brazil has similar resentments as Russia to the United States, though not as firmly grounded. And South Africa comes in the same group, while India seems to have less affinity, really, but probably wants to be inside rather than outside.

In terms of economic policy they have very different outlooks. If you want to unify them, you can say that they are all characterized by state and crony capitalism, and more protectionist than the developed countries. They used to grow fast; now Russia and Brazil are close to stagnation, so that's no longer true. And Russia and China are of course authoritarian states, while the others are democratic states.

They have a different exchange rate policy also. So the economic policies are quite different, and it's really the anti-Western sentiment that is together. And this has been formalized in their position on representation in the IMF. And that makes a lot of sense, because they are underrepresented in the IMF, and that would be natural that they would play a bigger role there.

Steve Weisman: Should the IMF and the World Bank—which have been criticized as you say for not expanding their leadership to include these countries, or some of them—should those institutions be worried, should they make new concessions to head off this sort of thing?

Anders Åslund: With regard to the IMF, the decision has been made by all the countries in the IMF to increase the role and increase the capital of the IMF at the same time. And that was done in 2010. The problem is that the US Congress needs to ratify this decision, and so far it has not done so. So both the Republican Congressmen said last, “Why should we pay more money to the IMF in order to have fewer votes?” In the IMF this doesn't quite make sense.

Steve Weisman: You mean it doesn't make sense to them.

Anders Åslund: To them.

Steve Weisman: Anders, thanks very much.

Anders Åslund: Thank you.

