



The outlook for India, at least for the middle and long term, is rosy. With its large middle-class population who are ready to consume, it shows great potential for further growth.
PHOTO: REUTERS

The Brics grouping – a decade on

By Sumit Agarwal

THE recent Brics summit held in Brazil in mid-November marked the group's 11th anniversary. The agenda included the New Development Bank and its role in promoting infrastructure and sustainable development.

Consisting of Brazil, Russia, India, China and South Africa, the Brics nations were hotly touted as the economies to watch 10 years ago. They were large, emerging and promising, with many analysts and market watchers recommending them as the "go-to" places for investors. But as we enter a new decade, many things have changed.

Rocked by geopolitical changes

Geopolitical changes have made a mark on Brazil and Russia.

The 2013 protests in Brazil, which stemmed from resentment towards public service and the high cost for the 2014 World Cup, hampered its growth. In 2010, Brazil's annual gross domestic product (GDP) growth rate was an enviable 7.5 per cent. In 2013, it had plunged to 3 per cent and in 2014, a mere 0.5 per cent.

Exacerbating the decline were the corruption scandal involving former president Dilma Rousseff in 2015 and the Zika virus outbreak in 2016. The GDP shrank by over 3 per cent annually in those two years, only turning to a positive growth rate in 2017 and 2018.

Brazil looks to be making progress under Jair Bolsonaro's current leadership. Latin America's largest economy is pushing for economic reforms and the stock market has been enthusiastic. Some believe this far-right government's tough stance is exactly what is required to deliver on its ambitious economic agenda.

For Russia, the decade started out well with then-president Dmitry Medvedev forging warm ties with his United States counterpart Barack Obama. Throughout the decade, however, the relationship between the two countries grew cold.

Russia's annexing of Crimea from Ukraine sparked a quarrel not just with the US but the entire international community. Russia was also implicated in incidents such as the unfortunate downing of a Malaysia Airlines passenger plane, and meddling in the 2016 US presidential election – neither of which enhanced its reputation. These global events have effectively set Russia back by 10 years and much more has to be done to boost both its image and economy.

Hope in India and China

Closer to home, China and India, the world's two most populous countries, are showing beacons of promise.

True, China has its fair share of challenges in the past decade, from territorial and sovereignty issues to the recent trade war with the US. But while China has not seen double-digit GDP growth after 2010, its growth rate is still respectable and has always been at least 6 per cent from 2010 to 2018.

Its Belt and Road Initiative, mooted in 2013 to spur collaboration and investment across the world, is still going strong and the diversification enables the Middle

Kingdom to hedge its investment risks. While it remains to be seen how the trade war will play out, China's economy may still be large and resilient enough to take these knocks, including those created by the ongoing Hong Kong protests.

Meanwhile, India has also been showing robust economic growth. From 2010 to 2018, its GDP growth rate was consistently above 5 per cent. It exceeded 8 per cent in 2010, and was nearly 7 per cent in 2018. There was some alarm when India's former chief economic adviser Arvind Subramanian announced that the country's average annual GDP growth had been overestimated. He said that the yearly number should be 4.5 per cent between 2011 and 2017, well below the official figure of 7 per cent. However, the current chief economic adviser, Krishnamurthy Subramanian, would later clear the air, saying that India had changed its metrics for measuring GDP – and hence the original figure of 7 per cent is accurate after all.

Despite historical territorial disputes, China and India have boosted their partnership in trade. In 2014, Chinese President Xi Jinping and Indian Prime Minister Narendra Modi witnessed the inking of economic deals worth billions of dollars. This common interest in trade and investment has withstood the test of time and the two leaders recently reaffirmed their ties at the Brics Summit.

The outlook for China and India, at least for the middle and long term, is rosy. With their large middle-class populations who are ready to consume, these two countries show great potential for further growth.

South Africa, the step-cousin

South Africa joined the Brics coalition in 2010, but its time in the group has been marked by rampant corruption, inefficient state-owned enterprises (SOEs) and rising government debt. President Cyril Ramaphosa continues to struggle against these headwinds, even after former president Jacob Zuma's deposition.

With economic growth set to remain below population growth in the new year, the situation is looking dire. In fact, the International Monetary Fund has called on South Africa to implement urgent reforms to address the fiscal and SOEs' challenges to prop up the economy.

South Africa has much to wrestle with in order to be a beacon of hope on the continent. It needs to tackle corruption and grow at a much faster pace to really create prosperity for the population.

The theme of the 11th Brics Summit was "economic growth for an innovative future". For Brics to regain the reputation it had 10 years ago, these economies would have to make use of policies and technological innovation to do much more, not just for economic growth, but for a future where every citizen can share in the nation's prosperity.

■ The writer is the Low Tuck Kwong Distinguished Professor of Finance, Economics and Real Estate at NUS Business School. He is also the author of *Kiasunomics*. The opinions expressed are the writer's and do not represent the views and opinions of NUS.