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THE ROLE OF CHINA AND THE BRICS PROJECT

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Abstract. *BRICS is an exogenous invention that was institutionalized as a convenient geopolitical market strategy, which favored each of the five BRICS countries to a greater or a lesser degree. As such, it is now a political group without deep roots and its future will be conditioned by any dividends it might yield over the coming years as a result of political, economic and social correlations and divergences.*

Key Words: *Brazil, Russia, India, China and South Africa.*

Resumen. *El grupo de los BRICS es una invención exógena que se institucionalizó bajo la conveniencia de una estrategia geopolítica de mercado, que en mayor o menor grado ha favorecido a cada uno de los cinco países que lo conforman. De esta manera, hoy en día es un grupo político que carece de raíces profundas y cuyo futuro estará condicionado por los dividendos que pueda producir en los próximos años como resultado de sus correlaciones y divergencias políticas, económicas y sociales.*

Palabras clave: *Brasil, Rusia, India, China y Sudáfrica.*

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I. Framework

The concept of BRICS countries (Brazil, Russia, India and South Africa) first appeared in late 2001, as the result of a prospective study by a private firm (Goldman Sachs). According to the study, the levels of growth these countries had attained in previous years, the firm stated that these countries were destined to reach high economic levels by the end of the 21st century. Since then, some opinions have come to support the economic growth of BRICS countries. But at the same time, other voices have questioned the truthfulness of this prediction. After the initial speculations, it was not until eight years after this prospective study that the BRICS countries decided to meet for the first time in 2009 to discuss the essence of their association and explore different possibilities for working together.

Is the Goldman Sachs prospective study actually based on facts? Is it true that BRICS countries will become top world economies by the mid-21st century? Will the United States and other Western countries passively allow this to happen? What consequences will arise from this new partnership and how will they affect global society? These and other questions have surfaced with the BRICS project. However, beyond the strength or limitations of this idea, Mexico, Latin America and Western countries in general cannot afford to lag behind, especially in view of the vague information on what is currently happening in Eastern Asia. This mistake has already led them to ignore China's exponential development with all the implications this entails.

Along this line and moving beyond the support of this proposed grouping, the main purpose of this work is to help weigh the strengths and weaknesses of the BRICS hypothesis so as to opportunely clarify the nature of this prediction within the context of the interests of a global society, which now more than ever is interested in everything that happens around it.

Therefore, this article discusses the framework of a global economy currently under construction. It also tries to explain the important role of China in the BRICS group. Finally, it gives some general considerations of Goldman Sachs's irreverent proposal and predictions.

II. Introduction

To speak of BRICS is to speak of the future. Hence the complexity of embarking on a topic within the framework of the beginning of a century. Just like the two centuries before, this one challenges us, not so much to construe what will follow, but to understand what is happening today. We are experiencing ever-growing globalization that leaves us without answers to most of the questions that have now emerged and needed harmonious coexistence. We are witnesses to the end of the political and economic certainties that in multiple ways attest to the unresolved transformation. This in turn translates into a discontented global society that wonders about individual solutions every day. To a certain extent, we have become hostages of our own success.

For that reason, to speak of BRICS, or rather, Brazil, Russia, India, China and South Africa as a group,[1] requires that we not fall into simplistic observations of the past or global speculation of the present, focusing only on the displaced and the winners. The intense integration that all countries currently forming part of the global community are witnessing, be it welcome or imposed, does not allow us to simply observe the scene of transformations, the results of which greatly depend on the possible success of a committed world society.

To know whether this is China's century or not, if we are witnessing the decline of the United States or if India, Russia or Brazil will replace Japan, Germany or France in the first half of the 21st century is not the information global society needs at this moment. What matters is to know the reasons for this shift, how things will be rearranged, and to what degree these changes will affect or benefit the shared inheritance of certain non-renewable assets that now more than ever belong to global society and can only be passed on collectively to future generations in the medium and long-term. Thus, the success of BRICS countries in the 21st century, as well as that of any other nation, can only be understood within the framework of a future global society that bears in mind and satisfies the requirements of sustainability for all its members.

This approach was clearly not taken in the 18th century when the Watts and Cartwrights of the early Industrial Revolution invented steam engines and cotton spinning machinery. This marked the creation of the global society and was the most palpable and successful period of an unstoppable race that had just commenced while paving the way for its own self-destruction. Nor did Great Britain take this approach in using new technologies to aggressively assert its domination in 1815 at the battle of Waterloo and imposed a type of coexistence and economic exploitation upon the new global world in such a way that it came to control 25% of the land and population at that time. Great Britain and the early industrial countries did not know or even wonder about the effects this form of "development" and exploitation could or might have in the future. In 250 years, the consequences are seen in record concentrations of greenhouse gases in the Earth's atmosphere, much higher than those present 800,000 years ago and rapidly approaching the levels to have supposedly existed 15 million years ago.[2] During the "century of Great Britain," so called because of Great Britain's leading position in the Indus-

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[1] South Africa was not integrated into the bloc until April of 2011 and is therefore not included in the analysis of this work for editorial reasons.

[2] Laurence C. Smith, El mundo en 2050: Four Forces Shaping Civilization's Northern Future (2011).

trial Revolution, industrial participation grew from 2% in 1750 to 23% in 1880. In this same year, Europe jointly amassed 62% of further developing the industrial world.[3] By the early 20th century, a less satisfied global society with ever-increasing demands and still suffering the same afflictions found in the early 19th century was wondering whether the 20th century would be the century of the United States and the downfall of Great Britain. Moreover, questions began to arise as to whether we were on the road to the "Americanization of the world"[4] or if the world would join to defend itself from "colossal American business."[5]

Ironically, in the early 21st century this same global society, more distressed than ever and with the same maladies from before, now asks itself whether this century will be that of China or of BRICS.

Global society is also wondering who is winning or losing in view of the multiple alliances and interests that abound. Unfortunately for today's global society, the time of simple speculation has passed by. Statistics speak out with serious implications, making it easy to convert these figures into the sixth massive extinction in the planet's history, the "first since the extinction that was projected in the Cretaceous-Tertiary Period, that ended the dinosaurs some 65 million years ago."[6] The decline of the old superpowers like the United States or the United Kingdome and the appearance of new economic players like Brazil, Russia, India and China should be viewed in the light of the fact that everything that happens today in global society's economic and commercial sphere can directly generate repercussions on all the countries involved with significant effects on their social and political welfare.

Today, it is no longer enough for new successfully economic parties to be applauded under a simplistic philosophy of winners or losers. Dominant nations have irrationally and irresponsibly consumed shared natural resources since 1750. However, there is no justification for old and new economies to continue to do so, as it has a negative impact on collective sustainability and awareness of the finite nature of these resources has grown. One or two hundred years ago, it was not known how long consumables would be available. It is now known that there is only enough oil for 41 years, copper for 35 years, natural gas for 60 years, silver for 14 years, iron for 72 years and so on. Moreover, levels of $C0_2$ concentration have increased 40%, from 280 ppm in the pre-industrial era to 387 ppm in 2009, which in turn is causing the greenhouse effect on the planet, which has only been scientifically documented since 1958.[7]

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[3] Paul Kennedy, Preparing for the Twenty First-Century (1994).

[4] William Thomas Stead, The Americanization of the World (1902).

[5] Kennedy, *supra* note 3.

[6] Smith, *supra* note 2, at 186.

[7] *Id.*

During the early years of the Industrial Revolution (1800), there were "only" about one billion inhabitants, the highest figure in approximately 10,000 years of human history. With the consolidated ascendancy of the United States in the 20th century (1930), the world population had doubled. Now at the time of the emergence of the BRICS countries (2011), we are looking at a precarious future for 7 billion people who live in a global society six times the size of that at the time of British supremacy. It has been estimated that by 2050, world population is expected to exceed 9.2 billion people, equally in search of progress and well-being as the people of today. L. Smith observes that if "development and welfare" were standardized to the levels currently found in developed countries, natural resources would not be needed to satisfy the wants of 7 or 72 billion people, but for 105 billion people by 2050.[8] Such a future would be impossible to sustain because the planet lacks the amount of natural resources to offer all of its present inhabitants this level of goods and services.

Hence, when speaking of BRICS or looking towards the future, a comparative study of winners and losers does not have bearing, at least from an academic standpoint because the mid- and long-term future of global society is compromised now more than ever; by 2100, we will be analyzing the balance sheet not of the new winners of the 21st century, but of the damage control set in motion by a broken and failed civilization.

III. The Important Role of China within the BRICS Group

It is no exaggeration to say that BRICS emerged when China opened up its first Special Economic Zones (SEZs) between 1978 and 1985 in the provinces of Guangdong (Shenzhen, Zhuhai, and Shantou), Fujian (Xiamen), and Hainan. The country later went on to build a project to attract foreign capital and established Economic and Technological Development Zones (ETDZ), Financial Zones (FZ), New and High-Tech Industrial Development Zones (Touch), Border Economic Cooperation Zones (BECZ), Export Processing Zones (EPZ), and so on. According to Chi Fulin, "[t]he birth of the Special Economic Zones is the most important event in China's policy of openness and reform and the most evident sign of its change toward the outside world. Over the last impressive fifteen years, an enormous amount of information derived from SEZs, which have been considered a miracle by most observers, has been gathered."[9] SEZs are the innovative instrument Deng Xiaoping developed to attract the foreign investment that was required to give work to an economically active population of more than 400 million people, most of whom were found in the countryside, hungry and desperate, trying to survive

8 *Id.* at 36.

9 Arturo Oropeza García, México-China, culturas y sistemas jurídicos comparados 455 (2007).

the economic failure of the Great Leap Forward and the cultural revolution (1959-1976). With this strategy, China received more than 8.5 billion dollars from Foreign Direct Investment (FDI) from 1995 to 2009, making it the second highest ranking destination for FDI in the world, just behind the United States. China's industrial sector, which in 1990 already represented 41% of its GDP, grew to 46% by 2009. In 1980, China exported less than 10 billion dollars a year; now, it is the biggest exporter in the world, bringing in more than 1.1 trillion dollars in 2009, outstripping Germany and the United States. Since 1980, China has become the industrial hub between the East and the West. This has been accomplished through the implementation of the SEZ development model and the "cat" policy.[10] In contrast, the United States saw its industrial GDP drop from 35% to 22% between 1995 and 2010 while the European Union fell from 29% to 25% in the same period (World Fact Book, 2011).

China's development model is based on a philosophy of simplification so as to attract industrial FDI. The success of this model is clearly seen in its increased GDP per capita. Meanwhile, other countries following the so-called low-cost "Asian model" saw their per capita income go up by 160% between 1980 and 2000, 120 percentage points higher than the 40% increase attained by developed countries in the same period while developing countries were left even further behind with an average increase of 20%.[11] If its growth continues at this rate, estimates say that China could make up more than 50% of the world's industry by 2030,[12] based on the hypothesis that identifies China as the "world's factory," a description that 100 or 200 years ago would apply to the United States and Great Britain, respectively. China is already the greatest producer in the world in 9 of the 16 most relevant industrial sectors. For instance, in 2007, in the textiles, garments, leather and leather products, China held 37%, 29% and 39%, respectively, of the sector in the world while in basic metals, electric machinery and transportation, 27%, 31% and 35%, respectively. Among the predominant Chinese-made products, we also find footwear (34%), plastic products (18%), tobacco products (51%), non-metallic mineral products (16%) and basic metals (37%), positioning China as the second largest producer worldwide of food and beverages, chemicals and chemical products, and several others (ECLAC, 2011). One of the most important results of the implementation of this model has been China's commercial balance, which has grown uninterrupted from 1995 to date. Just in the period of 2000 to 2009, China has accumulated commercial profits of 2.2 trillion dollars with the European Union and 1.6 trillion dollars with Japan. During

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[10] This is an analogy of the Chinese proverb, in the sense that regardless of the cat's color (capitalist or communist), what matters is that cats hunt mice (the means by which development is measured).

[11] Geoffrey Garret, *El punto medio flotante de la globalización*, Foreign Affairs en Español, Enero-Marzo 2005.

[12] Jean Mandelbaunn & Daniel Haber, China la trampa de la globalización (2005).

this same period, China added close to 2 trillion dollars through trade with the United States. The above figures show the re-export of products to the West [United States 24%, European Union 18%, Japan 4%, others 4%, of the total Chinese exports (ECLAC, 2011)], a phenomenon that opens up an on-going debate regarding not the use of the model, but the country that benefits most from it.

This process points toward an explanation of China's tremendous growth (10% annual average of the country's GDP), which increased more than 14 times in a period of 30 years (1980-2010), an unprecedented economic phenomenon in modern history. It also helps understand the reasons for the wealth in its international reserves, which came to 2.6 trillion dollars at the end of 2010 and represented 27% of the world's reserves (ECLAC, 2011).

The initial concept of simplifying the entry of FDI into China in 1980 was for the purpose of establishing a manufacturing process that offers the cheap labor of nearly 1 billion people living in impoverished conditions. The model has exceeded the expectations of all the forecasts from both those implementing it and those observing from the outside.

It is evident that China's economic success has transformed the world's economy and global commerce that was in place in 1980. The results have sparked discussion about the implications of the Bretton Woods model and of the low-cost Asian model. Regardless of the different positions on this issue, it is a fact that the same industrial concentrator process has had the foresight to prepare for the large amounts of raw materials and natural resources needed for production. This in turn has led to boosting economic and commercial activity, either directly or indirectly, in most countries in the world, that see themselves as having benefitted from China's success. These countries include those that form the BRICS as they have much of the raw materials needed to sustain their unstoppable growth. Furthermore, BRICS have the food supplies to satisfy the increased demands of a Chinese population with higher levels of buying power.

China is currently the most important buyer on of aluminum (42%), pewter (45%), zinc (43%), lead (42%), nickel (41%), copper (38%), primary steel (35%), and so on. As to food, it monopolizes 28% of world consumption of soybean oil and 23% of soybean grain, among other foodstuffs (ECLAC, 2011). The BRICS group has found its origin and synergy precisely in China's overwhelming need for raw material and food, which has significantly benefitted BRICS economies by contributing to their economic success. Reciprocal need and trade among these countries have become a binding force that will unite them as long as China continues to grow.

Hence, the significant increase of imports to each BRICS country is easily noted. For instance, in 1999-2010, purchases from China went up 24 times in Brazil, while this import boom increased 25 times in India and 400% in Russia. During this same period, China consumed 133 billion dollars' worth of raw materials from Brazil, 180 billion dollars-worth from Russia and 103 billion dollars-worth from India, making China a strategic partner in BRICS trade activities. China's imports tended to center on two or three segments corresponding to primary products: 55% of Brazil's exports to China were soybean and iron; 52% of Russia's exports were oil and oil derivatives and 55% of India's exports were iron, cotton and copper (Comtrade, 2010).

Brazil, the "world's food factory," has most benefitted from China's success. When a Brazilian analyst ponders Brazil's superior performance, "[h]e takes a breath, and with a slightly theatrical smile he says: China."[13] In 1998, Brazil was selling China little more than one billion dollars in products; by 2010, this figure exceeded 25 billion dollars, making China its most important trade partner, representing 16% of its exports and an annual growth of 47% from 2009, leaving behind Brazil's second more important export destination: the United States. Along with the rest of Asia, China represents 28% of all of Brazil's shipments abroad (Secex/MDIC). Meanwhile, Russia exports worldwide is currently based on the sale of primary products with oil and gas making up 55%, which in turn provide the country with an average of 37% of its revenue and allowing it to recover its economic stability.[14] Russia is currently the fifth largest oil-producing nation with approximate reserves of 80 billion barrels and exporting 11 million barrels a day. China has few energy resources other than carbon and is therefore gradually becoming the largest oil buyer in the world in view of its current average demand of 8 million barrels a day needed for it to sustain an annual growth of 10%. Like Brazil, Russia is also directly benefitting from the "Asian model." Although it is not a truly commodities export country, India is notable for its technological services and industrial products. As such, India is also benefitting from the Chinese model by exporting oil-derived products, gems and precious stones, food, medicines and so on. As a result, India's export participation has increased 1.7% between 1996 and 2000. From 2001 to 2010, China's market grew 14% (UN/Comtrade). Given the parallels between these two Asian countries in terms of population and poverty, India has closely followed the "Asian model" of industrial production that China implemented in 1980 through the creation of SEZs as a way to bring food and employment to its impoverished rural population. India has now established more than 400 SEZs, many of which are already in operation.

IV. Goodbye Neo-Liberalism? Welcome Market Socialism?[15]

The void that has debilitated multilateral economic "order" has given way to a principle of economic chaos in which the policy of the highest profit

[13] H. Iglesias, *Brasil no es un modelo para México*, Revista Expansión, January 2010 at 18.

[14] Ana Teresa Gutiérrez del Cid, *El papel de Rusia en el Marco de los países BRIC*, in Brics: el difícil camino entre el escepticismo y el asombro 213-250 (2011).

[15] Market Socialism is an economic syncretism that emerged from the need of a communist country, like China, to transact economically with free market economies. Its creator Deng

prevails, in which the most audacious or the most astute stand out. Identifying the first ones to break this agreement is now irrelevant; whether developed countries like the United States, Japan and Germany stopped encouraging changes to create a more just and efficient new global economic model, or whether the countries that implemented the low-cost "Asian model" as a way to respond to their social needs have gradually moved away from international organism standards and use discourse as a smokescreen to cover up irregular economic activities. This has jeopardized global society's deteriorated "economic order" since everyone contributes to this disorder and no one takes steps to mend it; they simply make do. For example, a leading county like the United States is unable to decipher the problem and much less solve it. It has lost its tempo and direction, and has fallen into serious economic problems (90% foreign debt; 10% unemployment; 10% public deficit; more than 100% private debt, etc.). It now finds itself mortgaged to the hilt and has ceased to be efficient decades ago. It also seems that amid worrisome levels of debt (90% of the average GDP), high public deficits (5% of the average GDP) and destabilizing ranges of unemployment (an average of 10%), a significant number of European economies (most European Union nations) are losing ground in their privileges as welfare States. Along with this group of nations, there is a brotherhood of countries filling the role of parishioners; they continue to believe in the economic gospel that was instilled in them in the 1990s and have been converted into most zealous economic players of the free market liturgy and rites. However, since these countries want for high technological development, they are stuck in the middle of the disorder unable to compete with the low cost production of less developed countries or the new technological growth monopolized by the more advanced countries. As Garret Geoffrey points out: "[f]riends and enemies of globalization do not realize one of their critical effects: although it has served the rich countries and better the poor, globalization has left the middle income countries fighting to find a niche in the world markets. As these countries cannot compete in knowledge or in the low salary economy, without help, they will remain on the side of the road."[16]

Within the context of this economic "disorder," we find BRICS countries situated in the middle of the turmoil and uncertainty of a global economy. To a greater or lesser degree, these countries have come up with an unorthodox

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Xiaoping summed it up by saying that "there are currently two models of productive development. To the extent that each of them serves our purposes, we will use them. If socialism is useful to us, the measures will be socialist; if capitalism is useful to us, the measures will be capitalist" (See Oropeza García, *supra* note 9, at 450). Regarding the formalization of the term, a "Socialist Market Economy" was officially declared a priority at the 14th National Congress of the Chinese Communist Party. On a legal basis, Article 15 of the Chinese constitution was changed in 1993 by means of a second constitutional amendment to establish that "the State practices a Socialist Market Economy."

16 Garret, *supra* note 11, at 99.

and pragmatic policy that has produced notable results so far. This has led several economic analysts (Goldman Sachs, Price Waterhouse Coopers and the International Monetary Fund, among others) to call them the new leaders of the 21st century, and in turn validate an economic performance to be imitated by other nations.

The case of China has been widely commented because of its use of unconventional policies in a unique approach for applying standards. Chinese pragmatism has never tried to fool anyone. China has been open about this from the beginning when the West "took advantage" of with without any consideration as to the repercussions of their actions, repercussions that are apparent today. China chose to embark on a different path in 1978 with the goal to establish a new economic project, the main purpose of which was to develop a way to satisfy the social needs of more than 900 people. In the early 1980s, Deng Xiaoping stressed that the new model aimed at bringing basic goods and services to the people of China. In his own words, Deng said: "In this century, we will take two steps that represent the solution to the problems of adequately feeding and clothing our people. In the next century we will take another thirty or fifty years to achieve the goal of the other step, that is, to reach the level that the moderately developed countries in the world have." In the 1980s, China was under the pressure of not going back to a time in which millions of Chinese died of hunger, which is why Deng urged his people on by saying, "We have to be more audacious than before in order to carry out the reform and the opening to the exterior and to have the courage to experience." He pointed out that "We should not act like women with their feet tied. Once we are sure that something must be done, we should dare to experience, to break and to plot new routes with it. This is the important lesson that we should learn from Shenzhen. If we do not have a pioneer spirit, if we are afraid to assume risks, if we do not have the energy and the direction, we cannot break and plot a new route, a good route, or carry out something new…" To this end, the road was clearly marked: "Currently there are two productive development models. Insomuch as each of them serves our purposes, we will make use of it. If Socialism is useful to us, the measures will be Socialist; if Capitalism is useful to us, the measures will be Capitalist." So as not to leave any room for doubt, he declared that "[t]here are no fundamental contradictions between Socialism and the Market Economy."[17]

The transfer of wealth from the West to the East, and particularly to China, was never a secret. In the early 1980s, China publically declared its intention to produce low-cost goods (based on a policy of no job security, no social benefits and no environmental protection) as a way to solve China's food problems. The Western world accepted this as an "opportunity," triggering a war to find the highest production at the lowest cost. The economic world lost all prudence and good judgment, as well as the progress it had made over

[17] Oropeza García, *supra* note 9, at 447-450.

the last 100 years in building the foundations for the economy of a global world. Once the "interests of the world population" reached the pocketbooks of global consumers, the economic world shook off its sense of social responsibility. By placing "national interest" in the cheapest products for the middle classes without caring how these products were produced, nations lost control, as well as the stability, of their development.

From 1979 to 1987, approximately 10,000 investment projects were approved in China with a foreign participation of some 2 billion dollars. From 1988 to 1991, interest grew and approximately 30,000 investment projects were authorized with an investment of nearly 3 billion dollars. By the end of 1991, both indicators for 42,000 investment projects worth more than 5 billion dollars were set in motion. By 2000, between 200 and 500 of the most important multinational companies in the world from the United States, Japan, Germany, France and Taiwan, to name a few, had invested large amounts of capital in China.[18] This capital flowed through the SEZ economic structure under an unorthodox tax policy (fiscal dumping) to attract capital. This stimuli, which ranged from full tax exemptions to lower or preferential income tax duties of 10% to 40-100% tax refunds and a 0% tax on technological imports was strategically managed for exporting or high technology development.[19]

In terms of its monetary policy (monetary dumping), from January 1, 1994 to June 22, 2005, China set in place a policy of a fixed exchange rate of 8.28 yen in an unusual support of public policy to simplify and increase the number of exports. Despite it being called into question by developed countries like the United States and Japan, this policy was upheld for more than eleven years. Although it underwent a slight transition period in 2005 (to reach approximately 20% by 2010) as a result of "pressure" from the West, China continues to change its monetary policy at its convenience (40% undervalued, ECLAC, 2011) as a strategy to boost its exports to the rest of the world.

As far as "trade dumping," Oded Shenkar and Ted Fishman, among other authors, have described the irregularities found within the framework of the World Trade Organization (WTO) in detail. According to Shenkar, while considerable progress has been made in certain areas, violations abound and these can no longer be attributed to implementation problems.[20] Based on the 2003 American Congressional Report on the China-WTO relationship, Shenkar finds there was a policy of discrimination against foreign competitors, as well as continued subsidies to domestic producers in order to further lower prices of products ranging from machinery and petro-chemicals to biomedicine in both China and global markets.

In sectors like those of semi-conductors and fertilizers, value added tax discounts are given preferentially to domestic companies, but not to foreign

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18 Arturo Oropeza García, China, entre el reto y la oportunidad 102 (2006).

19 *Id.* at 300.

20 Oded Shenkar, The Chinese Century 167-168 (2005).

companies. As in the case of tariffs, many Chinese producers pay less than the declared value, which serves as a basis for tax rebates or even annulment. This can be attributed to a protectionist and competitive environment among China's own provinces fighting for capital and employment opportunities. Domestic producers also receive preferential treatment in trade and distribution rights. WTO commitments regarding wholesale services offered by foreign companies and commission agents were fulfilled with Chinese-made products, but not with imports. Various non-tariff barriers still prevail and limit foreign competitors as in the case of administrative guidelines, while raw material and intermediate product exports supplied by domestic producers receive support.

China has created new standards for areas in which international ones already exist. However, it should be noted that China is not the only country to do so. It has also been proven that foreign firms that wish to enter the retail sector have to go through a tangled web of procedures to obtain authorization while national producers are exempt from going through this process.[21]

Likewise, the transfer of technology is commonly used as a way to obtain investments or incentives. Unfortunately, the clause in the original adhesion project to the WTO that disallowed pressuring China this way was cancelled. However, issues of intellectual property have instigated the most criticism against Chinese trade, especially in connection with the agreements signed with the WTO. It should be noted that "technological expropriation," as Fishman calls it, is an inherent part of Asian Development Model policy and has been an element of its growth strategies since 1978. By copying the manufacturing model used in Mexico in the late 1970s and the appropriation and development of new Chinese technology developed between the 1980s and early 21st century, innumerable cases have been presented against the violation of intellectual property in the pharmaceutical industry, garment industry, electronic sector and automotive sector. In the first case, the violation of patented medicine either through falsification or piracy represents 80 billion dollars in losses. With its sensitive nature due to its links to health, life and well-being, the pharmaceutical industry has been one of the sectors most affected by Chinese informality because of both patent violations and the enormous difference in cost. Medicine produced informally in China can cost one tenth, or even less, than its patented equivalent in a developed country because consumables are substituted, low quality medicines are distributed or medicines are simply manufactured with the same formulas at a cheaper cost.[22]

Lastly, in discussing economic unorthodoxy, the aspect of ecological deterioration or Environmental Dumping cannot be ignored. Authors like Pang Zhonying speak of China's enormous "ecological debt" cause by certain as-

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[21] *Id.* at 168.

[22] Oropeza García, *supra* note 18, at 102.

pects of its economic success. Despite having such a large surface area (9.5 million km^2), China lacks the natural resources needed for its development. For example, it has only 0.094 hectares per capita of farmland, which places it 40% below the world average and 2.25 cubic meters of fresh water per capita, 30% less than the world average. This situation is mirrored in forest area, mineral resources and petroleum, where its levels are 20%, 60% and 11% lower than the world average per capita, respectively. At the same time, its accelerated economic growth has led it to consume 48%, 40%, 32% and 25% of the world production of cement, crude carbon, steel and aluminum oxide in the world. The result has been an imbalance of both supply and demand in terms of pollution. Statistics show that the volume of emissions in China has already exceeded the environment's capacity for self-purification. Of its seven principal hydrological systems, more than half are suffering the effects of serious contamination (90% of the Haihe River is polluted while the figure for the Huang He, Huasihe and Liaohe Rivers stands at 60%, levels that are raising alarm worldwide). Acid rain affects a third of the country's surface area. Around 360 million hectares show signs of water loss and soil erosion (38% of the country's land surface), a figure that increases by 15,000 km^2 every year. Desertification has already gripped nearly 20% of the national territory. The problem of environmental decay in China in its present state poses a significant challenge for development and an annual cost of up to 8% of the nation's GDP.[23]

The above is but a brief summary of some the actions China has implemented in building its economic model. While this overview does not intend to play down all the effort and talent that have gone into it, it does point at the fact that a large part of its success stems from an unorthodox model that does not follow generally accepted rules. Now that Goldman Sachs has set China as the model to be followed in the 21st century, it sends a troubling message to the rest of the nations that have observed the "success" of other countries either passively or spellbound despite the unequal conditions.

This kind of development has been closely followed by the other BRICS countries, which have implemented similar economic policies in their own ways and at their own pace. For instance, on seeing the success of the "Asian Model" SEZs in China, India has established more than 400 Special Economic Zones, 178 of which were in operation by 2005 with an investment of more than 9 billion euros. These zones include Kandla and Surat (Guajarat), Cochin (Kerala), Santa Cruz (Mumbai, Maharashtra), Falta (West Bengal), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Noida (Uttar Pradesh) and Llamdaikulam Madurai (Tamil Nadu).

Like China, India has grouped its manufacturing by sector, as in the case of the footwear industry located in southern India (the states of Karnataka,

[23] Ediciones de Lenguas Extranjeras, Desarrollo de China dentro de la globalización 59-68 (2009).

Tamil Nadu, Haryana and Uttar Pradesh, as well as around New Delhi). Its textile industry has been placed mostly in India's meridian area, in the cities of Chennai and Tirupur. The pharmaceutical sector is fund in the state of Maharashtra. And the pattern repeats itself.

At the same time, like China yet again, India has implemented a policy to protect its internal markets, clearly seen in various sectors, especially in retail. Although the market has begun to open gradually, foreign investors must commit to trading minimum quotas of Indian-made products.

In other sectors like information technologies, the government has played a decisive role in its development, supporting its export boom through the creation of special economic units designed to fulfill all the requirements and consumables needed for their success. Examples of these are found in the Electronic Hardware Technology Parks (EHTP) and Software Technology Parks of India (STPI). Moreover, the government gives multiple incentives, including: 100% tax exemption when exporting Information Technology (IT) products, tax exemption to software suppliers, tax exemption for donations, accelerated depreciation for IT products, exemption from tariffs on capital goods, raw materials, components and accessories for economic units dedicated to exports, a 60% depreciation for computers and so on.

In the agricultural sector, on which more than 1 billion people depend for food, India offers a wide variety of State assistance programs which range from subsidies for fertilizers; free electric energy; a National System of Minimum Prices that are announced before each planting season and set by the Agricultural Prices Commission of the Agricultural Ministry. In the face of market fluctuations, this producer protection system works alongside a Public Distribution System that was created to protect consumers from extreme price increases. This applies to wheat, rice and sugar, the basic staples of the Indian diet. These protection policies are fortified with the Law for the Commercialization of Agricultural Products, which imposes export and product transfer restrictions on the country's different provinces in the name of protecting its own internal supplies.

The above gives a brief example of India's unorthodox public policy which is strengthened through economic strategies, such as a monetary strategy in which the government has developed a "sterilized" participation (currency purchase in combination with a compensatory sale of public instruments from the Reserve Bank of India)[24] to maintain the competitiveness of the country's exports.

Any comparison between the unorthodox policies implemented in China and in India should be done within the context of the particular dynamics of each of their economies. China, for instance, publically declared its decision

[24] Pang Zhongying, *La nueva participación de China en el entorno global: Un ejercicio de "soft power"* 267-284; Shrawan Nigam, *El papel de la agricultura en la economía India* 401-422; Badar Alam Iqbal, *La economía india en el siglo XXI: sus fortalezas* 535-560; in Brics: el difícil camino entre el escepticismo y el asombro (Arturo Oropeza coord., 2011).

to open trade with the outside world and join the international economic community in 1978 from its Socialist platform. This position was reaffirmed in 1982 through the first ever amendment added to its Political Constitution: Article 18, which reads: "The People's Republic of China permits foreign enterprises, other foreign economic organizations and individual foreigners to invest in China and to enter into various forms of economic co-operation with Chinese enterprises and other economic organizations in accordance with the law of the People's Republic of China." Then, on July 11, 1986, China submitted a formal application to join the General Agreement on Tariffs and Trade (GATT). Despite the constitutional amendment, China did not enact the Law of Property Rights until 2008 and did not gain admittance into the GATT-WTO until 2001. Therefore, from the 1980s to now, China put into operation an unorthodox policy in different ways and by different means, which has simultaneously coexisted with an international institutionalization of trade.

In the case of India, since its independence in 1947, the country has chosen to follow a Socialist economic model. Using central planning, five-year plans and State property, the nation sought to develop both its industrial sector and the countryside. From 1947 to 1990 [under the administrations of Jawaharlal Nehru (1947-1964), Indira Gandhi (1966-77, 1980-84) and Rajiv Gandhi (1984-1989), as well as the Indian National Congress], India implemented an economic program that was found to have problems in fulfilling the social needs of the "new" country. In 1990-1992, India embarked on a political transformation process and an economic liberalization project that has combined the State policy that has prevailed for more than forty years with a series of free market measures to give way to the "cat" economic model explained above. Thus, it applied an unorthodox and pragmatic public policy to reach its goal of having an average GDP annual growth of 9%. This goal was reached in the 2004-2008 period and it plans to scale it up to 10% so as to surpass China.

Russia's economic history began much earlier than those of China and India with a policy of far-reaching State participation. With the Soviet Revolution in 1917 and the formation of the Union of Soviet Socialist Republics (USSR), Russia built itself on the framework of a Socialist project based on five-year plans aimed at industrializing the country and collectivizing the fields. Russia failed in its attempt to reach the levels of Western pre-eminence like those of the United States and its plans fell along with the Berlin Wall in 1989. After nearly 70 years, the USSR's totalitarian economic model succumbed to its inefficiency, as happened with Mao Zedong's model in China that ended along with his death in 1976. It should be noted that India's Socialist proposal from 1947 to 1990 (called the 3.5% Proposal because its projects could not surpass the country's average GDP within the proposed period) could not give the desired results, as mentioned above, so as to satisfy the economic needs of its immense population.

The fact that these three countries originally followed Socialist economic policies is an important key to understanding their new economic stance, as well as the unorthodox and pragmatically outlined policies in place for the creation of new development models that can be catalogued as "Market Socialism." This situation has not been particularly easy for any of these three countries since they have had to operate on the basis of trial and error from different platforms.

With the fall of the USSR, Russia hastily opted for a shock therapy strategy based on the IMF model of open privatization (*laissez-faire*) which was abruptly implemented in the so-called 500 Days Program. The results were reflected in a mass shutdown of companies and a significant loss of many of the State's strategic assets. By completely opening its market and allowing the free exchange of its currency, Russia ended up as an enormous debts and a financial crisis amounting to a loss of 4.2 times its GDP between 1992 and 1996, a figure equivalent to 2.5 times the losses Russia experienced during World War II. In addition to this, 60% of the population saw their income fall to such levels that 40% of the population would be living in extreme poverty while only 10% would have access to wealth. The development of the Russian economy was set back by around 20 years.[25] If this were not enough, Russia then chose to follow the Neo-liberal model in the same way, China did —without caution or any steps to ease into it— throwing the country into economic-political chaos from which it is now barely starting to recover.

In economic terms, the 1990s in Russia can be viewed as one of the most traumatic episodes, other than military conflict, seen in any country. After having been a close competitor to the United States for more than four decades, Russia's GDP in 1991 was barely a third of that of the United States; by 1999, it had decreased to one-tenth. Compared to other countries during that same period, was one-sixth that of China, one-fourth that of Japan, one-third that of Germany and half of those of India, the United Kingdom and Italy. Russia's GDP was even lower than those of Spain, Brazil and Mexico.[26] Thus, one of the two great post-war powers had fallen to the levels of underdeveloped countries because it was unable to understand the changes of a global economy run wild.

The case of Russia might be viewed as one of the most emblematic of all BRICS countries. For 70 years it was one of the leading economies of the 20th century and after World War II it competed closely with the United States, making it a leader vying for position of political-economic supremacy in the creation of a new world. Neither China nor India, much less Brazil or South Africa, was ever in the same position. Hence, the fact that a once leading country (or a union of countries) was downgraded to an intermediate

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[25] Wang Mengkui, China's Economic Transformation over 20 Years (2003).

[26] Pablo Telman Sánchez Ramírez, *El modelo económico de Rusia durante la última década. Sus modificaciones y adaptaciones*, in BRICS: El difícil camino entre el escepticismo y el asombro 485-508 (Arturo Oropeza coord., 2011).

position in the ranking of world economies in the early 21st century had a tremendous impact. Unlike Russia, China opted for more prudent measures, touching on every "rock in an unknown river" and taking the time to analyze the best time, manner and place for its insertion in global economy. In this way, China avoided IMF and the WB *shock* and *fast-track* measures to salvage its economy. Having resisted the temptation of the "end of its history," India embarked on its market insertion process little by little, turning it into a territory of mixed economies. Russia decided not to follow the examples of China and India and instead burned the ships it launched under the leadership of Boris Yeltsin and Yegor Gaidar. The project resulted in the worst free market model possible, which put no limits on establishing tax austerity measures, price increases, increased taxes, credit reductions, land privatizations, the privatization of food and distribution networks and State industry privatizations, to name a few. By 1999, this lethal combination had already "produced" 65 million poor, with a GDP at barely 55% of what it had been 10 years before.[27]

In an analysis of BRICS countries like this, this period of Russian economic history is important because it allows us to observe how it tried to insert itself into the world of Neo-Liberalism in a way so unlike other Socialist economies —China and India. It is also possible to notice that 10 years of failed Neo-Liberalism reached higher levels than more than seventy years of Socialism, which led to both Vladimir Putin's rise to power (1999-2000) and a new kind of "Market Socialism" that Russia has followed since the early 21st century, thus enabling it to be included as a BRICS country. According to Ana Teresa Gutiérrez, "…if Russia currently projects itself as a probable power for 2050, this is due precisely to the fact that today's political class in power in Russia rejected the orthodox application of Neo-liberal policies supported by the so-called Washington Consensus." On the new vision of Russia, she adds that

> The Russian State… clearly understands that the Russians who live in poverty could not survive the demands of the free market, which is why for Putin, the recovery of the Russian economy has as his greatest strategy the control of Russian-Western joint companies over resources and the economy, and at the same time he hopes that the number of Nationalist-cut Russian businessmen grows.[28]

The reasons behind Russia's decision to implement a Neo-Socialist economic model within the framework of global Neo-Liberalism need no clarification. Vladimir Putin has acknowledged this on various occasions. With his 2000 State of the Nation Address and countless public appearances, Putin has reiterated his interest in restructuring public policy by returning to great-

[27] *Id. See also* Gutiérrez del Cid, *supra* note 14.

[28] Gutiérrez del Cid, *supra* note 14.

er State participation by reminding the West that "Russia always developed itself as a super-centralized State. This makes up part of the genetic code, of the tradition, and the mentality of its people." To this Telman Sánchez adds,

> The States and the Russian society have conserved similar characteristics throughout the centuries. The full control of the State over the interests of society and individuals; the weak role of the political parties in the course of economic reforms; the absence of independent social classes from the Kremlin's central power; the non-existence of individual liberties, are just some of the characteristics that have varied very little in more than 500 years of Russia's history…

For this reason, as of 2000, "the new nationalist ideology that was consolidated establishes a consensus around the so-called Russian idea, which is based on the traditional pillars of its culture, knowledge, patriotism, confidence in Russia's greatness, Statism and social solidarity."[29]

Russia is now peering out of the "economic hell" of a badly instrumented neo-liberalism. By breaking with the inertia, it now upholds a new current to insert itself into the global world through economic and political reform in a way that it has not seen in 500 years. The failure it has faced puts the country back into well-known territory: a similar situation to the one it found itself in 1989, but now accompanied by a sense of profound economic and political defeat. Learning from its mistakes, Russia has gone on to a new phase of construction under Putin's leadership and especially under the influence of China's model of Market Socialism that applies both Capitalist and Socialist mechanisms (the "cat" model) in the various degrees required by national interest and feasibility. As in the cases of China and India, the Russian State grants significantly different advantages to other economies, limiting those for countries that stand by the principles of the Washington Consensus. With these new dynamics, conditions in Russia for foreign investment have improved with the drafting of a State regulation system. The country's tax and financial systems have been modernized while the State has intervened in regulating prices. The country is moving from economic integration towards global insertion, certain sectors have been re-nationalized (oil) and State agendas have been set for national producers. And these are just a few examples.

Brazil, on the other hand, has maintained minimal State participation in its economic development. While it might be the least statist of all the BRICS countries, it is one of the most statist in Latin America. Brazil does not have as long a history as China, India or Russia nor has it gone through recent political changes that have led it to implement State Socialism. However, in terms of economics, Brazil's economy has been relatively stable since it was a colony when all economic activities were endorsed by the Portuguese Empire. Its most successful period was from 1930 to 1980 when its average an-

29 Sánchez Ramírez, *supra* note 26.

nual GDP grew by a minimum of 6%. It should be noted that a so-called "economic miracle" came to exist between 1968 and 1973 during which time Brazil's GDP increased by an average of 11% a year.

An import substitution strategy was implemented over the course of 50 years of industrialization. After the 1929 global crisis and World War II, the Brazilian State participated directly to support and further develop various economic sector that sought to carve a place for itself in the reorganization of the new global world. At this time, State participation aimed at boosting nation industry to satisfy the needs of its internal market through a series of protection and defense policies for national businesses. Support was also given to businesses serving external markets, the most emblematic of which is the coffee sector. For many years, Brazil was the most important coffee producer and exporter in the world. Its government strategies and measurements to consolidate itself as such (to the extent of destroying 4.7 million tons of coffee from 1931 to 1944 as part of its regulatory policies[30] were followed by other nations as a way to defend markets and prices.

During this bonanza period of Brazilian economy, we can see: a leader State that uses a variety of exchange, tariff, credit and other policies to advance the industrialization of the country; a regulating State that regulates and delimits worker-employer relationships to prevent them from becoming an obstacle in attaining the principal economic objective —industrial development; a producer State that began to produce a good part of the public services such as railways, maritime transport, water, electricity, communication services, as well as other more specific products like mines, oil and chemicals in an effort to become a successful and organized nation (as examples of the success of this public policy, some 231 State-run companies were created, including Petrobras, Vale Do Río Doce and Embraer between 1968 and 1973); and a financing State that created both the Bank of Brazil and the Brazilian National Development Bank (BNDES) which practically became a national long-term productive credit agency, which currently handles an investment portfolio greater than the World Bank (WB) and the Inter-American Development Bank (IDB) combined.[31]

Like most Latin American economies, Brazil made the most of the post-war period and the new regional industrialization by implementing a State policy, like Mexico, Argentina, Columbia and other nations, that proved to be important within the framework of the new global economy, especially in terms of focusing attention on its internal market, creating employment and bringing about social improvements. At the same time, since the 1970s it was incapable of restructuring the model on more sustainable lines. As it did not look after its productivity and direction, Brazil experienced a "lost decade" in

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30 Carlos M. Peláez, Mauro Motinho Malta & Magnolia Maciel Peláez, Essays on Coffee and Economic Development (1973).

31 Amaury Patrick Gremaud et al., Economía brasileira contemporánea 572-573 (7th ed. 2010).

the 1980s and was not able to recover until 2004 when it showed significant growth (5%). This was possible by enforcing new sustainability principle that, among other reasons, led to consider Brazil a BRICS country.

Like other Latin American nations and in the face of the unresolved problems of the 1908s, several Brazilian political leaders began to instrument a series of economic changes under the Washington Consensus. With the failure of the Cruzado Plan (1986), Bresser Plan (1987), Verao Plan (1989), Collor Plan I (1990), Collar Plan II (1991), the 1994-95 Royal Plan was launched under the leadership of Fernando Henrique Cardoso. Among other measures, this last plan continued to dismantle the mixed Brazilian economy through the privatization of State assets. To forge ahead with the Neo-Liberal canon, a destatization plan was put in place between 1980 and 2000, giving priority to105 public companies and divesting itself of State assets.[32]

Although today Brazil does not have the same degree of State participation as China, Russia and India, the State displays active participation in and commitment to the country's economic development. While less than the average BRICS, this participation can be seen as being greater than the *laissez faire, laissez passer* formulas that other regional countries like Mexico and Chile "boast" of having implemented. According to Alicia Puyana, "Brazil liberalized its economy, with a lesser degree and rhythm than the majority of the Latin American countries."[33] This is clearly seen with the public policies that have been implemented as well as the declarations of recent Brazilian presidents who have assumed the task of repositioning Brazil's economy in that of a globalized world (2003-2010). During his administration, President Lula Da Silva extolled the benefits of the Brazilian Social Development Model and current President Dilma Rousseff has openly declared her desire for the Brazilian Socialist Model to make the State more effective, "but not smaller."[34]

Under Rousseff's vision, the State is primarily responsible for the social ascent of 15 million people from 2000 to 2010; the State must directly deal with the effects of the 2008 financial crisis by allowing State-owned banks to buy the stock and portfolios of institutions facing financial problems; the State is the one to authorize R$3 trillion Brazilian reals for public works. Through its remarkable vehicle for development, the BNDES, the State put R$10 trillion reals of working capital at the disposal of export companies via the Bank of Brazil and allotted R$4 trillion Brazilian reals for the automobile purchases. The bank garnered extraordinary support for the agricultural sector with an investment of R$5 trillion Brazilian reals, gave R$2 trillion Brazilian reals in export incentives and set up tax incentives to lower costs for Brazilian companies. The bank has gone on to build up a world class petrochemical industry

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[32] *Id.*

[33] Alicia Puyana & Vanesa Rebollar, *Brasil: mito o realidad*, in BRICS: El difícil camino entre el escepticismo y el asombro (Arturo Oropeza coord., 2011).

[34] The Economist, *Brazil Takes Off*, The Economist, November 12, 2009.

(Petrobras) and a leading aeronautical company (Embraer). In 2004, the State controlled 14 public banks and 82 private banks operating with national capital. The State also has 25% direct participation in credit operations and approximately 50% of the credit operations involving national capital in private banks. The State founded the Brazilian Agricultural Research Corporation (Embrapa), one of the most important of its kind in the world and a leading center for agricultural research and development, which has driven Brazil to become the "food factory" of the world. And the State protects its industrialists with tariff borders that range from 12% to 35%, the highest percentage of all BRICS.[35]

From the above it can be said that 41% of the world population (2.8 billon people), 15% of the world's GDP, 15% of the world trade and above all, the best economic growth rates (indistinctly) over the last thirty years are found collectively in China, India, Russia and Brazil. As a group, they are situated in a new economic zone of global development that has yet to be clearly defined or accepted by a large number of experts who still employ euphemisms like "Market Socialism" (China), "Economic Nationalism" (Russia) and "Social Developmentalism" (Brazil). With the emergence of such a group, it is now necessary to define the course of these new, pragmatic and unorthodox post-Neo-Liberal economic impositions that demand aligning economy and trade with international norms and institutions while most countries, especially developing countries, find themselves at a disadvantage in their struggle to grow under these standards. In referring to the extinction of developed nations in the context of the 2007-2009 crisis, Rubin says, "The Recession and the plunge in the financial markets have already put our faith in free trade and the freedom of markets to the test. To speak of, 'The State's intervention,' has always sounded very bad, but today it is a paragon of new politics from Washington to Brussels." What is happening? Are BRICS in default? Or have they simply advanced to a strategy that will become necessary? Knowing the playing field is a *sine qua non* condition today for any economy that is worried about its growth. Knowing what rules will apply to the competition has become a starting point for any development model. On the topic of anarchical rearrangement of the production factors, Martin and Schuman say that their lack of control and depth are leading us to a situation of, "Save yourself if you can," but add with terrible irony, "It's just that: Who can?" In this sense, the BRICS group (each country in its own way, as explained above) is simply a launching point for economic anarchy that both sacrifices lambs every day at the altar of "lowest cost" products and resorts to direct State intervention to develop its economy and international trade.

[35] Gremaud et al., *supra* note 31; Alexandre de Freitas Barbosa & Ricardo L. C. Amorin, *Sobre el estancamiento en el dinamismo económico de Brasil: los dilemas de la inserción externa y la desigualdad social*, in BRICS: El difícil camino entre el escepticismo y el asombro 339-362 (Arturo Oropeza coord., 2011).

V. The World According to Goldman Sachs?

BRICS is an extrinsic invention that has been institutionalized for the convenience of geopolitical market strategy that has shown its preference, to a greater or lesser degree, to each of the five countries that form BRICS today. As such, it is now a political group with shallow roots and whose future will be conditioned by the profits it yields in the coming years that result from their political, economic, and social correlations and divergences.

China, for example, is the standard-bearer for the five countries as the one that gains the least out of its association and the one that casts a shadow on the rest of the countries because of its enormous economic success. Without China's vast success, it would not be possible to speak of a BRICS group. In contrast with that of its partners, China's road to triumph started more than thirty years ago while Russia began 11 years ago; India, 9 years ago and Brazil, 8 years ago. China also stands out for the strength of its sustainability (an annual average of 10% for the period in question). It does not compare with the rest of the group members that show a lower rate of growth (Brazil 4% average; India 8.4% average, and Russia 6.2% average in their respective periods). Hence, China's GDP represents more than 50% of that of the group (2009), has more than 70% of its monetary reserves (2.62 trillion dollars in 2010), more than 50% of the income derived from FDI between 2000 and 2009 (6.29 billion dollars) and holds the best ranking in world competitiveness in 2010 (in 27th place) compared to India (51st place), Brazil (58th place) and Russia (63rd place).

Thirty years after the days in which Deng Xiaoping, Zhu Rongji, Jiang Zemin and others pondered over the best model to follow in the face of the enormous need for China to open itself to the rest of the world, China has gained much experience of how to handle its economic strategy. The "experiment" of which Deng spoke has turned it into the most successful economic model in the world. The phenomenon of Western deindustrialization motivated by profit has been the main incentive for the "Chinese miracle. This, however, does not disregard the fact that Chinese talent has not limited itself to having become the largest "assembly plant," in the world, one aspect that the West did not take into account and was unable to understand and foresee China's economic overflow. From this platform, China has decided to move on to greater challenges: to improve all of its sectors by all means possible to become the greatest power of the 21st Century.

But beyond the success attained in terms of growth and development, China, along with the rest of the countries around the globe, will have to face changes in its economic growth formula. Although it did give the country an average annual growth of 10% for more than thirty years, this rate is no longer sustainable. Economic success based on destroying the environment, paying starvation wages and having no universal policy for social benefits, in addition to growing uneasiness worldwide, is forcing China to answer to protests from its "trade partners," who through the WTO have made China the most investigated country in the world having given rise to 784 complaints, as well as the country with the most lawsuits against it (563) between 1995 and 2010. This kind of growth has given way to much speculation from the West: "Only naïve theorists or short-sighted politicians will believe that it is possible, as is currently occurring in Europe, to deny millions of people work and social security year after year without paying a political price for it at some point. It is something that cannot work."[36] Meanwhile in China itself, Pan Zhongwang, a 55 year-old steel polisher who works in Zhenhua, arrives at 7:00am, leaves at 11:00pm, frequently works seven days a week, lives in a company dorm and earns approximately 12 dollars a day, protests: "Everything is getting more expensive. They should increase our salary."[37]

In the coming years, China will need to resolve the issue of its demographic structure, currently made up of 1.3 million people, of which 44% are in urban areas. The problem of keeping the other 56% in the countryside has a direct impact on employment, income and poverty. This situation will grow to be even more sensitive taking into account that the average age of the population is 35 years old, but is expected to increase to 45 years old by 2050. The resulting conflict will be seen in a young workforce and the need for pensions for its older adults. By 2050, 75% of China's population will be residing in urban areas, with all the challenges one billion people living in cities implies.[38] Thomas Friedman says that China is one fifth of all humanity, the greatest emitter of carbon in the world, the second largest oil importer after the United States and the biggest importer of nickel, copper, aluminum, steel, iron and other metals. Therefore, it can be said that as it goes for China, it will go for the planet. In other words, if China manages to make a change to renewable energies, there will be greater possibilities for mitigating the climate problem.[39] This is a very important issue for China's future that the Chinese themselves should bear in mind. The Minister from the Environmental Protection Agency, Pan Yue, has been pointing out since 2005 that one of China's main challenges is that the country does not have enough raw materials, that it did not have the necessary land and that its ever-increasing population would reach the level of 1.5 billion people while cities would continue to grow, but desert areas would also expand at the same rate. Pollution was not stopping as seen with the acid rain falling on one-third of China's territory, the contamination of half the water in the country's seven most important rivers while one-fourth of the cities did not have access to clean water. He has also noted that one-third of the urban population breathes pol-

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36 H. P. Martin & H. Schumann, La trampa de la globalización: el ataque contra la democracia y el bienestar 17 (2005).

37 D. Barboza, *Tiende EU un puente "Hecho en China*", Periódico Reforma, July 2, 2011.

38 Smith, *supra* note 2.

39 Thomas L. Friedman, Hot, Flat and Crowded: Why We Need a Green Revolution 344 (2008).

luted air and less than 20% of the trash in the cities is sustainably treated and processed. Finally, he added that five of the most polluted cities on the planet were found in China.[40]

China's insertion into the global economy is irreversible and this fact deserves our utmost attention. China is no longer just the "assembly line" of the world as it was in the 1980s. Its low-cost economy now exists alongside another economy of innovation and high technology. While China conserves its endless reserve of cheap labor (approximately 800 million people), it will continue to try operating at different levels and at different speeds as part of its comprehensive SEZ policy, as currently seen in its central and western territory. Therefore, it is necessary for China to look beyond the happy figures of its GDP and along with the rest of the world reflect on what has been achieved to date in terms of economics. The collective development strategy for upcoming years will have to be sustainable by both BRICS and other dominant economies. As Tofflers points out, "…unless the United States, Europe, and the rest of the world understand what is really occurring in China —China hides under a deluge of unreliable financial and economic statistics— it will be difficult to make sense of what is about to happen. What is occurring will, in one way or another, radically redistribute the wealth and rock the planet."[41]

Meanwhile instead of thinking about its future, Russia readjusts the guidelines for its stability and development day by day. Despite the above and with its immense reserves of natural resources, Russia emerges as one of the BRICS countries with the greatest future potential. As indicated above, according to the British Geological Service, the probable life span for oil and natural gas stands between 41 and 60 years, respectively and Russia has the largest reserves of natural gas and the fifth largest oil reserves in the world. It is estimated by 2030 there will be a 30% greater demand for oil in the world (106 million barrels per day) and Russia with its 80 million barrels will have ensured its development and financial stability. As Smith points out with Western Siberia, the Russian Federation is now the greatest world producer of natural gas and the second largest producer of oil. Furthermore Russia has the longest coastline and the widest Continental platform in the Arctic Ocean, which will grant it sovereignty over large portions of the seabed and most of the natural gas estimated to be in the North Pole. Russia is perhaps the country with the greatest natural resources for the future: land, food, water, fuels, minerals and so on. However, despite this promising future, some of the main challenges Russia will be facing will be the problem of a smaller population unlike China: "The Russian Federation confronts the most dismal perspective. Its demography is in free fall: sixteen people die for every ten that are born. Its total population is now losing almost eight hundred thousand people per year."[42] In addition to this, Russia will have to work on building

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40 *Id.* at 348.

41 Alvin Toffler & Heidi Toffler. La revolución de la riqueza 433-434 (2006).

42 Smith, *supra* note 2, at 263.

up a credible rule of law within the framework of a new democracy, which after the economic collapse of the 1990s will have to face the challenge of sustainable restoration or risk turning into an oil-based dictatorship. For Telman Sánchez, "Russia needs to overcome its current state of weakness and internal crisis, to strengthen the State and to restore its political and economic role in the international system. All these tasks are indispensable and complex for the Russian State, but they should be undertaken fundamentally by means of effort and with the help of internal resources." And he adds that in speaking of the future we are no longer looking ahead to 2050, but to 2020. "The Russian people cannot wait another decade and then watch their hopes be dispelled again."[43]

In spite of an average annual growth of 8.4% over the last nine years, India[44] appears as one of the weakest BRICS countries based on its huge population, economic underdevelopment and poverty. Despite its small and yet uncertain economic boom in the first decade of the 21st century, India's GDP per capita is the lowest of the BRICS countries (1,192 dollars in 2009). The percentage of its rural population is still very high on the global scale (71% which represents more than 800 million people) in enormously complicating the possibilities for greater development and its proper allocation. Because of this, its Human Development Index (UNDP) is the lowest of all the BRICS countries (0.519 in 2010) reflected in the average years of schooling (4.4 in 2010), its healthcare spending (4.1% of the GDP in 2010) and education budget (3.1% of the GDP in 2010). Poverty in India is an age-old problem. According to data from Maddison, India did not experience any per capita growth between 1600 and 1870. From 1870 to 1947, it grew at a rate of 0.2% a year.[45] In 1960, 33% of the rural population and 49% of the urban population lived below the poverty line, barely surviving with Rs.324 and Rs.489 rupees, respectively.[46] With the reforms made in the early 1990s, India was able to significantly push down the poverty indexes. However in 2001, 35% of the total population still lived on less than one dollar a day.[47] In 2009, there were still more than 300 million poor people in India, 25% of who live in extreme poverty. This will prove to be one of India's biggest challenges to overcome.

Furthermore, India is encumbered by a long history of poor economic results over the last decades, which casts considerable shadow over its future economic project. For instance, from 1990 to 2010, the country's balance registered 17 years of losses. And considering only the period it has formed part

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[43] Pablo Telman Sánchez Ramírez, Razón y Poder: Rusia una potencia del siglo XXI (2005).

[44] Figures from the WV, IMF, and WTO.

[45] Jeffrey D. Sachs, El fin de la pobreza 255 (2006).

[46] Ramachandra Guha, India After Gandhi: The History of the World's Largest Democracy 467 (2007).

[47] J. Chai & Kartik Chandra Roy, Economic Reform in China and India: Development Experience in a Comparative Perspective 467 (2006).

of BRICS (2002-2010), it has showed losses six times while the balance sheet is in the red (-108 billion dollars in 2010). Just like China, India needs to create 8 million jobs a year. For that to happen, its GDP needs to grow at a minimum rate of 8% annually. Given that this level of growth has been attained in the last nine years, India is under the pressure of having to obtain better and long lasting results in the future. Two India's are often spoken of: the India of overwhelming poverty and underdevelopment that has been unable to resolve its problem of basic education and food supply, and the India of advanced technology that used in biotechnology, for instance, could generate $5 billion and up to 1 million jobs in the coming years. However, as the Tofflers point out, "…India knows that it cannot delay a new assault on poverty, and that it will not win the attack only with smokestacks. Nor will it win if the majority of its population continues to be condemned to a low-productivity, rural existence, no matter how much, 'appropriate technology,' it introduces on a small scale. Nor will a second wave strategy suffice, rather a first wave strategy."[48]

Brazil,[49] which is the only non-Asian country in the BRICS (70% of Russia's surface area is in Asia), has incongruous relationship with the group.[50] Like India, it has recently presented exceptional economic results in the last eight years (2004-2009), but its average growth is the lowest of all the BRICS countries in that same period (4%). Also like India, from 1990 to 2010, Brazil has had negative results in its balances in 15 out of 21 years (71%) and has ended up in negative numbers 6 in 11 years between 2000 and 2010. However, unlike the rest of the BRICS countries with success stories that came after failed Socialist projects, Brazil's economy comes from and is nourished by a surplus that for 50 years (1930-1980) yielded an average annual growth of 6%,[51] placing it as the BRICS country with the second highest level of human development (0.699 in 2010 UNDP) and that allots more funding for healthcare (9% of the GDP in 2009) and education (4.5% of the GDP in 2005). With its strategic focus on its internal market, Brazil is the least open of the BRICS countries (26% between 2000 and 2008). However, the upsurge of growth over recent years was attained through the export boom to Asia, and especially China. In 2006, 58% of Brazil's shipments consist of commodities (45%) and agro-industrial products (13%).

When one speaks of the future, it is necessary to speak of natural resources like oil, water, land and food. Within its 8.5 million square kilometers, Brazil's greatest potential wealth lies precisely in producing such consumables. With these resources, Brazil has all it needs to become the "food factory of the 21st century" to fill the increased world demand, which estimated to grow 70% by 2050 (FAO). Brazil has put 65 million hectares to use, but more than 300 mil-

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48 Toffler & Toffler, *supra* note 41, at 409.

49 Figures from the WB, IMF and WTO.

50 Renato Baumann, Brasil y los demás BRICS 46 (2010).

51 Barbosa & Amorin, *supra* note 3.

lion hectares are still available, making Brazil one of the few countries other than Russia that is able to easily expand its agricultural activities to reach extraordinary proportions. This starkly contrasts with the situation in either China or India, where the land available for agricultural purposes is occupied and the potential for growth is almost nonexistent in view of having the largest populations in the world and increased buying power. Brazil is the country with the most total renewable water resources with 8,233 square kilometers/year, which also makes it the first country with this measurement per capita.[52]

In spite of its valuable assets, the challenges Brazil faces for the future are similar to those of other developing countries. Brazil has had its "imperial" aspirations, its geography and its resources for over 200 years, and yet for various internal reasons, it has not been unable to consolidate itself as a leader in South America. Vast problems of poverty, a very unequal distribution of land and wealth, and even social and political organization will continue on its agenda. Brazil's strong dependence on the model and on China's success poses a challenge, but it is also an opportunity, and the outcome will be determined in the decades to come. As in the case of the rest of BRICS, Brazil will have to focus on balancing its growth in such a way that benefits its activities and a majority of its inhabitants to avoid catching the development syndrome as suggested by the Tofflers: "The waves can be found overlapping themselves and displacing themselves in unison: remains of hunters and gatherers that disappear as peasants from the first wave take their lands; peasants that relocate themselves to the cities to work in second wave factories, and cyber-cafés, and rising software initiatives as the third wave arrives."[53]

To speak of BRICS is to speak of the future, and to that extent and with that drive, every country should be BRICS, or rather, aspire to a good future.

The ways in which countries and people coexist within the boundaries of Rifkin's Third Industrial Revolution cannot mimic the environmentally and socially irresponsible economic climbs observed in the 19th and 20th centuries. The fact that we are now part of a global village compels us to show respect for the success of others and not achieve success at the expense of an impoverished neighbor, but through effort and innovation. For Jacques Attali, "It is today when the world we will have in 2050 is decided and when the base for 2100 is laid. In our hands is the ability of our children and grandchildren to live in an inhabitable world or to have to put up with hell, hating us for it. In order to leave them a planet on which one can live —he points out sensibly— we must make an effort to think about the future, to understand where it comes from and how to act in it, and to make it possible."[54] Matt Ridley expresses it from the perspective of a rational optimism, in that "…the hu-

[52] Marco Antônio Rodrigues Diniz & José Luciano de Asis Pereira, *Brasil: la fábrica de alimentos del siglo XXI*, in BRICS: El difícil camino entre el escepticismo y el asombro 455-484 (Arturo Oropeza coord., 2011).

[53] Toffler & Toffler, *supra* note 41.

[54] J. Attali, *Breve historia del futuro* 13 (2006).

man species has become a collective problem-solving machine —which we do not doubt— and that it resolves problems through change."[55] The one who best frames the question of the future of the BRICS model is L. Smith, who points out that "The question is not to compare how many people there, or how many barrels of petroleum are left, or hectares of working land, or drops of water in the water cycle. The question is not whether the consumption of resources can or cannot be absorbed by the global ecosystem." To this, he adds, "In my opinion, the most important question is not that which refers to capacity, but that which formally questions the desire: what kind of world do we want?"[56] And in the end, we go back to the beginning: Goldman Sachs extolls a model of maximum profit, environmental deterioration and social irresponsibility. Is it the one we want?

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55 M. Ridley, *El optimismo racional ¿tiene límites la capacidad de progreso de la raza humana?* 271 (2010).

56 Smith, *supra* note 2, at 336.