



## BRICS - the next layer

by Antonio Missiroli and Domhnall O'Sullivan

Which nations grow, or fail to grow, or just fail? And why? These questions have long occupied the minds of market analysts, development economists and international pundits as well as, of course, historians. Twenty years ago the debate was all about the various generations of Asian 'tigers' (until the 1998 financial bubble hit them) or Paul Kennedy's historical comparison of the rise and fall of the great powers. The exercise has become even more fashionable – in both prospective and retrospective terms – since Goldman Sachs' Jim O'Neill launched the BRICs (and thus the game of 'acronymic foresight') and anthropologist Jared Diamond unveiled the role played by *Guns, Germs and Steel* in shaping the world as we know it.

Today, with the latest IMF reports suggesting that the BRICS' economic prospects are fading, the pursuit of new drivers of growth and international change is firmly on the agenda. Who might replace (or integrate) the BRICS as the motor of future dynamism – in the world economy as well as the global balance of power(s)?

### Early bids

As far back as 2005, O'Neill himself tried to pre-empt this question when he identified the **Next-Eleven (N-11)**. Comprised of Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam, these economies offered longer-term – if perhaps riskier – prospects over the course of the twenty-first century. The common

denominator, and the central criterion used by Goldman Sachs, was sheer demographic potential. Compared with an EU-28 projected to add just three million to its inhabitants by 2050, countries such as Egypt, Pakistan and the Philippines are on track to increase their already sizeable population by 50% in this same period. Nigeria in particular – with a current median age under 18 – is set to overtake the US and become the world's third most populous country by 2050.

But the similarities stop here. South Korea, for example, is a hub of technology and innovation, with a Human Development Index placing it squarely at Western European levels; in Bangladesh, where GDP *per capita* is 16 times lower than in Seoul, over 30% of the population languish below the poverty line. Likewise, Mexico is a thriving trade economy sitting between two continents, whereas Iran is effectively cordoned off due to international sanctions. Goldman Sachs never claimed that this group would be a BRICS 2.0 – but the mortar holding together the former grouping was clearly lacking.

Similar internal contradictions affected the so-called **CIVETS**, encompassing Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. Although the grouping dispensed with the most politically and economically problematic members of the N-11, it nevertheless brought together economies of varied size and nature which struggle to find a common thread. Cynics even suggested that Vietnam was only included so that the acronym – coined by the

Economist Intelligence Unit in 2009 and referring to the sleepy Asian mammal hardly renowned for its dynamism – would work.

## Little siblings

A more serious contender for the already ageing BRICS could be considered the **MIST** (or **MIKT**) four: Mexico, Indonesia, South Korea and Turkey. Another brainchild of Jim O'Neill – devised this time to usher in the second decade of the century – this grouping comprises the four largest of the N-11 countries.

Economically, all are projected to sustain healthy annual growth rates (between 3-5%) in the coming years, according to IMF estimates. Politically, each has gone through democratisation processes relatively recently, while their collective presence in the G-20 confers global clout. From a 'geo-strategic' viewpoint, all are ideally located as 'bridge' countries: Mexico straddles North and South America; Turkey is the gateway between Europe and Asia; Indonesia is a portal to the hotbed of South-East Asia as well as Down Under; and South Korea offers a convenient opening towards – and between – China and Japan. Trade openness and membership of important economic zones (NAFTA, ASEAN) firmly anchor these economies in the global marketplace.

The MIST four have also taken the step of semi-formalising their relations. This occurred on the margins of the last UN General Assembly, in September 2013, when Australia joined in and the **MIKTA** grouping was created. According to the Turkish Foreign Ministry, the initiative was undertaken in order to establish an 'informal consultation and collaboration platform' for these middle-tier countries, based on similar economic development and global political leverage. With the group now making up a quarter of the G-20, institutionalised cooperation could lead to higher effectiveness.

However, leaving aside latecomer Australia, the elephant – or indeed tiger – in the room is arguably South Korea. It is in fact one of the easiest places in the world to do business and highly competitive in its own right; in terms of longer-term growth, however, Seoul is on a different playing field to its less advanced partners: its population is smaller and older (with a median age of almost 40), much wealthier, and much better educated and technologically connected. Rather than a congruent constituent of an emerging bloc, it is perhaps more of an example for the others to work towards.

Removing South Korea from this equation, while preserving the most promising remnants of the BRICS,

led demographer Jack Goldstone in 2011 to canvass the **TIMBI** group: Turkey, India, Mexico, Brazil and Indonesia. Though not an institutionalised grouping, the TIMBIs are all young, vibrant and democratic states with more long-term potential than a possibly slowing China, an ageing Russia or a stuttering 'West'. Demographically strong (India will overtake China in this respect by 2030) and economically robust, the TIMBIs are also increasingly at the forefront of multi-lateral affairs: once again, all are members of the G-20 and are well placed to become the voice of the 'global south'. Poor education levels, although an immediate concern, nevertheless present also much scope for future development and innovation.

## State(s) of flux

Socio-political issues, however, could generate stumbling blocks. Recent protests in Brazil threatened to vindicate the old image of the country as the eternal Sisyphus – condemned to start over and over again. In Mexico corruption, inequality and high murder and kidnapping rates haunt the new leadership. Turkey's prime location on the border of Europe and Asia could prove to be a double-edged sword, as its proximity to Syria and Middle East conflicts risks embroiling it in regional chaos. And India has been accused of sitting on its laurels and expecting its massive raw potential to be enough to sustain growth: according to Ruchir Sharma (author of the latest bestseller in this domain, *Breakout Nations*), it is not.

Conspicuous for their absence from all these potential 'new entries' are the Gulf monarchies, despite their undeniable wealth and growing clout in the MENA region (and beyond). A few years ago Wall Street could not stop singing 'it is all about Shanghai, Mumbai and Dubai'. Today's tune is different, and seems to indicate that affluence and influence built on commodities alone are more fragile than they look – as Russia's case may also suggest.

With one country's demographic potential another country's population problem, the overall picture remains blurred and the dynamics difficult to capture. New currencies of power are emerging, old ones are waning; but even success stories are not set in stone, just as decline is not irreversible. By the way, there is one last factor worth considering: virtually all serious candidates for 'new BRICS' status are already (just like the old ones) 'strategic partners' of the EU – with Turkey having already got beyond that stage, Australia implicitly there, and Indonesia getting ever closer.

**Antonio Missiroli is the Director of the EUISS.  
Domhnall O'Sullivan is a Junior Analyst at the EUISS.**

