The Rise of the BRICs

And the new logic in international politics.

BY HAROLD JAMES

The winners of the great globalization push of the 1990s were small states such as New Zealand, Chile, Dubai, Finland, Ireland, the Baltic Republics, Slovenia, and Slovakia. The East Asian tigers that pushed themselves onto the world economy’s center stage were small units, and in some cases—Singapore, Taiwan, or Hong Kong—were not even treated as states. Even South Korea, which is a giant in comparison, was only half a country.

Such states are vulnerable, and the past is littered with small and successful globalizers that lost out because of power politics: the Italian city states of the Renaissance, the Dutch Republic, or, in the twentieth century, Lebanon and Kuwait. Small states frequently became the victims of larger but poorer neighbors envious of their success and eager to seize their assets, while oblivious to the fact that such seizure actually destroys the source of wealth and dynamism.

In the world of pure globalization, small states do best, because they are more flexible and can adapt more easily to rapidly changing markets. Small states are better at public policy adjustments, freeing up labor markets, establishing a solid framework for competition, and facilitating cross-border takeovers and mergers.

By contrast, a larger state can inevitably do more to control the economy, and hence is exposed to the costly temptation to intervene in response to political pressure from vested interests. In a small-state setting, imposition of a dense network of controls is likely to lead to the loss of mobile factors of production, while in a large state it is harder for labor or capital to escape.

On the international stage, large states try to make international rules, and often build their domestic legitimacy on their claims to be able to shape a larger world: they think in terms of what French thinkers call “harnessing globalization.” Instead of accepting the international system roughly as it is, with all its imperfections, they think that they can use their weight to alter the rules—in their favor.

And, since roughly 2000, it has looked as if the new winners are big states with large populations and rapid growth: Brazil, Russia, India, and China (BRICs), in addition to the United States. These dynamic giants are likely to behave more like traditional big states, and will try to shape globalization rather than simply accept it as an inevitable process. But they also need to project power to compensate for their weaknesses.

There are at least three obvious flaws that afflict these big globalizers much more than the small globalizers who had done so well previously. First, highly populous countries must integrate their poor and ill-educated underclass (in China and India mostly rural) as they engage with world markets.

Second, China and Russia have financial systems that lack transparency, while Brazil and India are financially underdeveloped, putting further integration in the world economy at risk and increasing prospects for a financial crisis.

Third, Russia is already facing massive demographic decline and an aging and sickening population; China faces the near certainty of a Japanese-style demographic downturn from the 2040s onward, a belated legacy of its one-child policy.

Flawed geo-political giants have in the past been a source of instability (Germany before World War I is an obvious analogy), and there are good reasons to see them presenting increased risk in the twenty-first century. But for the moment they are unquestionably powerful.

The result is that the BRICs will look for compensating power, and military and strategic influence and prestige, as a way to solve internal problems.

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