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BRICS seek larger role in global finance

CHRISTOPHER BODEEN, Associated Press 

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SANYA, China (AP) — The leaders of the world's largest emerging economies started a one-day summit in southern China on Thursday, looking for a bigger role in global financial institutions and also welcoming a new member.

Thursday's summit comes at a crucial moment for the expanded five-member bloc known as the BRICS, which groups Brazil, Russia, India, China, and, for the first time, South Africa.

With the G-20 group of major economies seeking to remake parts of the global financial architecture, leaders of the five countries — Chinese President Hu Jintao, Brazilian President Dilma Rousseff, Russian President Dmitry Medvedev, Indian Prime Minister Manmohan Singh and South African President Jacob Zuma — will be tested to see if they can overcome internal differences and act as a bloc with common goals.

"The key priority is for the BRICS to put creative ideas on the table rather than just react defensively to proposals put forward by the advanced economies," said Cornell University economics professor Eswar Prasad, former head of the International Monetary Fund's China Division.

Though largely an ad-hoc grouping at present, the BRICS have the potential to emerge as a new force in world affairs on the back of their massive share of global population and economic growth. With the inclusion of South Africa, the group accounts for 40 percent of the world's people, 18

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percent of global trade and about 45 percent of current growth, giving them formidable heft when dealing with the developed economies.

Thursday's one-day meeting in Hainan's resort city of Sanya marks only the group's third annual summit, while moves to lend it greater structure, such as establishing a permanent secretariat, remain under discussion.

Hu held bilateral meetings with several of the other leaders, and according to state media, told Zuma that he was calling for an immediate cease-fire in Libya to prevent the crisis there from worsening.

Hu backed the efforts of the African Union, on which Zuma has a major voice, in ending the crisis.

The five countries are loosely joined by their common status as major fast-growing economies that have been traditionally underrepresented in world economic bodies, such as the International Monetary Fund and the World Bank.

All broadly support free trade and oppose protectionism, although China in particular has been accused of erecting barriers to foreign competition. In foreign affairs, they tend toward nonintervention and oppose the use of force: Of the five, only South Africa voted in favor of the Libyan no-fly zone.

Yet, while the economies of Brazil, Russia and South Africa are driven largely by raw material exports, India and China — the world's second-largest economy — are oriented more toward manufacturing and services. Brazil and India are also concerned over large trade deficits with China that critics say are supported by a deliberately undervalued yuan. Politically, Brazil, India and South Africa are functioning democracies, while China, and to a lesser extent, Russia, are authoritarian states characterized by heavy government control over the economy and civil society.

The very lack of a common cultural, political or geographical identity brands BRICS as a new type of grouping forged by nontraditional concerns such as trade barriers and monetary policy, said Li Yang, a finance expert and vice president of the Chinese Academy of Social Sciences.

"The fact that they are grouped together shows the impact of new factors on international relations," Li said.

In approaching G-20 reforms being proposed by France, which holds the body's rotating presidency, the BRICS can already point to China's success in advancing a 6 percent shift in voting rights at the IMF that would give it the third-largest say in decision making after the U.S. and Japan. That move also creates seats for Brazil, Russia, India and China on the IMF's expanded 10-member governing board, while reducing the influence of Britain,



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A key concern now will be stemming inflation and pushing back against debt-fueled expansionary monetary policies being pursued by developed nations that now suffer from negative or anemic growth. With about 40 percent of world reserves lead by China with \$2 trillion, the BRICS countries share a concern over exchange rate volatility and macroeconomic instability in the developed world.

Other priorities include reducing economic imbalances and volatility in commodity prices, pushing for even greater influence in the IMF and other bodies, and gaining a say in the potential introduction of new reserve currencies, possibly including the Chinese yuan.

Manbir Singh, a top official in India's Ministry of External Affairs, said discussions should also cover global security, climate change, and social development goals.

The five also need to answer fundamental questions about the future of their bloc, such as whether to plan for a permanent organization or to admit new members, said Zhang Yuyan, director of China's Institute of World Economics and Politics.

"They need to decide whether to focus on boosting coordination among their members or simply representing emerging economies in their dealings with the developed nations," Zhang said.

Regardless of the outcome of such debates, the growth of the BRICS represents an important attempt to create new centers of influence and prevent domination of the world economic order by one or two major players, said South Africa's ambassador to Beijing, Bheki Langa.

"This formation plays a very important role in rebalancing the balance of forces on the world stage," Langa said.

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