

BRICS AND PAKISTAN - ASSESSING OPPORTUNITIES & CHALLENGES

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



In the age of intensifying bloc politics and increasing fluidity in contemporary international affairs, the XV BRICS Summit in Johannesburg, held on August 22-24, 2023, was a surprisingly successful event, despite all the negative assessments and critical analyses coming out from various media, policy and academic circles predicting a confused, divided, and unfavourable outcome of the event.

The XV BRICS Summit was able to achieve an across-the-board consensus on two major agenda points (among others) of the Summit: a) positive movement of member states towards the use of national currencies in trade and financial transactions among group members and with other nations of the 'Global South'; and b) agreement on the expansion of the group into a broader platform by inviting new member states into BRICS.

Evolution of BRICS:

BRICS is an informal grouping of emerging economies. It is a denotative acronym of its founding/core member states namely, Brazil, Russia, India, China and South Africa. The acronym was first introduced by Jim O'Neill a British economist, in 2001.¹

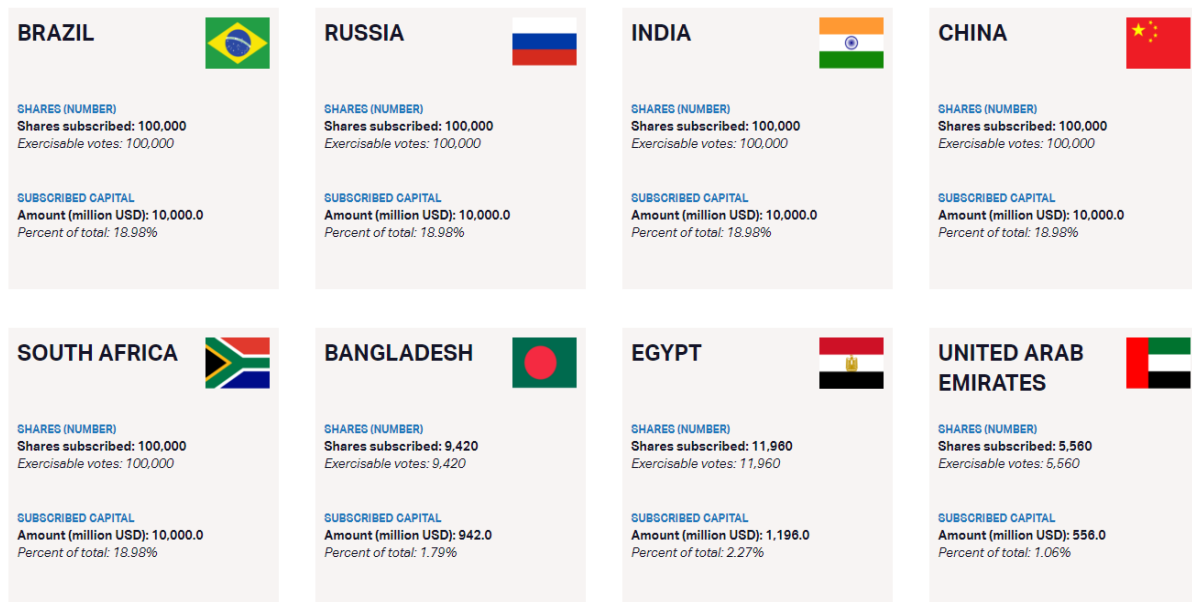
The inaugural BRIC 'Summit' took place in Russia on June 16, 2009. Following the conference, the BRIC leaders released a joint statement² outlining the group's objectives as well as strategies for

¹ Jim O'Neill, "Building Better Global Economic BRICs", Goldman Sachs, Global Economics, Paper No: 66, published on 30th November, 2001.
<https://www.almendron.com/tribuna/wp-content/uploads/2013/04/build-better-brics.pdf>

addressing the world's financial and economic problems arising in the aftermath of the global financial crisis of 2008.

Furthermore, the **New Development Bank (NDB)**, the only formal institution of BRICS was established in 2014 after signing of the agreement to establish NDB during the VI BRICS Summit by member states.³ Moreover, as a major milestone, NDB approved its first non-USD loans denominated by Euro, Chinese Yuan, South African Rand, and Swiss Franc in 2019. In 2021, Bangladesh, Egypt, United Arab Emirates (UAE) and Uruguay were admitted as members of the NDB.

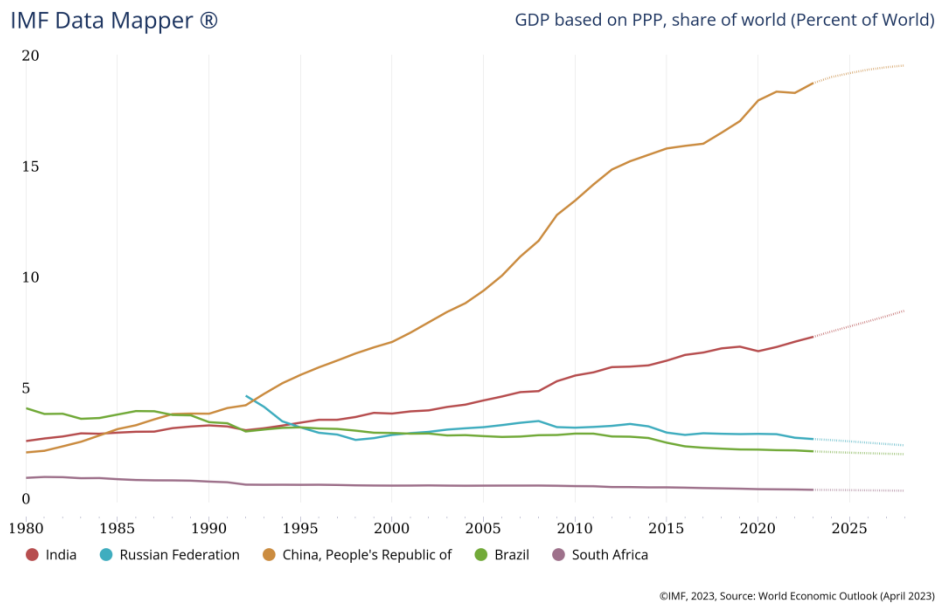
NDB initially authorised capital of US\$ 100 billion. NDB's founding members in the beginning subscribed US\$ 50 billion which consisted of US\$ 10 billion of paid-in funds while US\$ 40 billion as callable capital. (See Figure 1)⁴



(Figure 1)

According to the 2022 International Monetary Fund (IMF) statistics, BRICS members held a share of 31.58% of the total Global Gross Domestic Product (GDP), based on Purchasing Power Parity (PPP). (See Figure 2)⁵

- 2 *"Joint Statement of the BRIC Countries' Leaders"*, BRICS Information Centre, University of Toronto, published on June 16, 2009.
<http://www.brics.utoronto.ca/docs/090616-leaders.html#:~:text=We%20call%20upon%20all%20parties,the%20WTO's%20Doha%20Development%20Agenda.>
- 3 *"History"*, New Development Bank, accessed on September 12, 2023.
<https://www.ndb.int/about-ndb/history/>
- 4 *"Shareholding"*, New Development Bank, accessed on September 12, 2023.
<https://www.ndb.int/about-ndb/shareholding/>



(Figure 2)

The BRICS member states (before expansion) represented 41.25% of the world's total population. Its global GDP share till 2022 was 32% and which is expected to grow to 40% by the year 2040.⁶

Who have joined BRICS so far?

On August 24, 2023, it was announced during the press conference by BRICS members during the XV BRICS Summit, to invite six (6) countries to join BRICS, taking the total number of its members from five to eleven, namely: Argentina, Egypt, Ethiopia, Iran (IRI), Saudi Arabia (KSA) and the UAE. Membership of these six countries will take effect on January 01, 2024.⁷

South African President Cyril Ramaphosa stated that BRICS countries have reached agreement on the guiding principles of the BRICS expansion process and noted that interests of other countries in building partnership with BRICS is valued by its members.⁸ According to him, more than 40 countries

⁵ BRICS member states collective GDP based on PPP, share of the world, International Monetary Fund, created on September 20, 2023.

<https://www.imf.org/external/datamapper/PPPSH@WEO/IND/RUS/CHN/BRA/ZAF?year=2022>

⁶ Bryce Baschuk, "How Global Trade Changes With BRICS on the Rise", Bloomberg, published on August 23, 2023.

<https://www.bloomberg.com/news/newsletters/2023-08-23/supply-chain-latest-how-global-trade-changes-with-saudi-indonesia-in-brics#xj4y7vzkg>

⁷ "BRICS welcomes new members: What does it mean to the world?", CGTN, updated on August 24, 2023.

<https://news.cgtn.com/news/2023-08-24/BRICS-announces-new-members-1mwR9byHOp2/index.html>

⁸ "Media briefing remarks by BRICS Chair, President Cyril Ramaphosa, announcing the outcomes of the XV BRICS Summit", The Presidency Republic of South Africa, published on August 24, 2023.

<https://www.thepresidency.gov.za/speeches/media-briefing-remarks-brics-chair%2C-president-cyril-ramaphosa%2C-announcing-outcomes-xv-brics-summit>

and regions showed interest in joining BRICS and 22 of them formally applied to join this year (2023).⁹

Is use of national currencies by BRICS possible?

China, which has a mixed-economy (where large state-owned enterprises operate alongside private enterprises), the unprecedentedly Western-sanctioned economy of Russia, combined with India's increasing bonhomie with the West and the United States in particular, as well as New Delhi's enhanced desire to continue trading in the US dollar are some of the reasons why the idea of a common BRICS currency is unable to gain any meaningful traction so far.

Moreover, it is also important to understand here that after the inclusion of 6 new members into the group, it no longer remains BRICS but have adopted the new form of BRICS Plus (+). This new form brings its own opportunities and challenges for the group. On the one hand, while the addition of new members into BRICS will add to its geo-political, geo-strategic, geo-economic clout and material strength, on the other hand, with expansion of voices, more challenges will surface in the group, especially for the consensus-based decision-making within BRICS due to diverging interests of different members.

State of play within BRICS:

The current state of play in BRICS is highly dynamic and interesting and the internal dynamics of the group can be understood through several key aspects:

- One of the main driving forces and uniting elements behind the BRICS is **economic cooperation**. These nations trade widely among themselves and have diverse economies. They collaborate to encourage investment and trade among member states, and they frequently talk about how to lower trade barriers and improve economic integration.
- In the domain of **political cooperation**, BRICS members continue to hold annual summits and discuss a wide range of political issues which include regional disputes, international security, and global governance.
- In the sphere of **economic development**, each member has its own unique economic development challenges to overcome. While China and India have experienced rapid

⁹ Hassan Isilow, "More than 20 countries have applied to join BRICS: South African president", AnadoluAjansi (AA), updated on August 21, 2023.
<https://www.aa.com.tr/en/africa/more-than-20-countries-have-applied-to-join-brics-south-african-president/2972344>

economic growth, members like Brazil and South Africa have experienced economic slowdowns combined with domestic political instability. Moreover, Russia has also experienced massive economic slump after getting hit by Western economic sanctions imposed after the commencement of the Russia-Ukraine conflict.

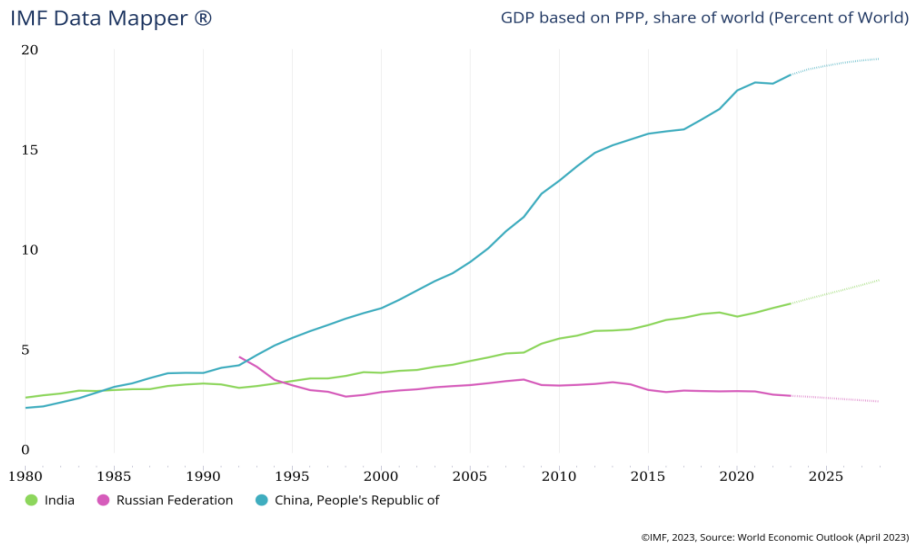
- Furthermore, **South-South cooperation**, among developing nations, is a BRICS priority, among others. The member countries collaborate to exchange best practices and support global development projects, notably in Africa.
- Apart from formal meetings and summits, BRICS leaders participate in **informal dialogue**, allowing for more open discussions on numerous problems. These unofficial exchanges promote collaboration and help member states develop confidence and trust with each other.
- Most important of all, the dynamic of **geopolitical interests** is probably one of the most influential of all among BRICS' state of play factors. While the BRICS countries share many interests, they also have different geopolitical and geo-strategic interests which are at times divergent.

Should Pakistan join BRICS?

As things stand today and are expected to pan out in the future, Pakistan should seriously consider applying and go for BRICS membership. But it is essential to understand the reasons behind this affirmative in order to logically and pragmatically justify the assessment.

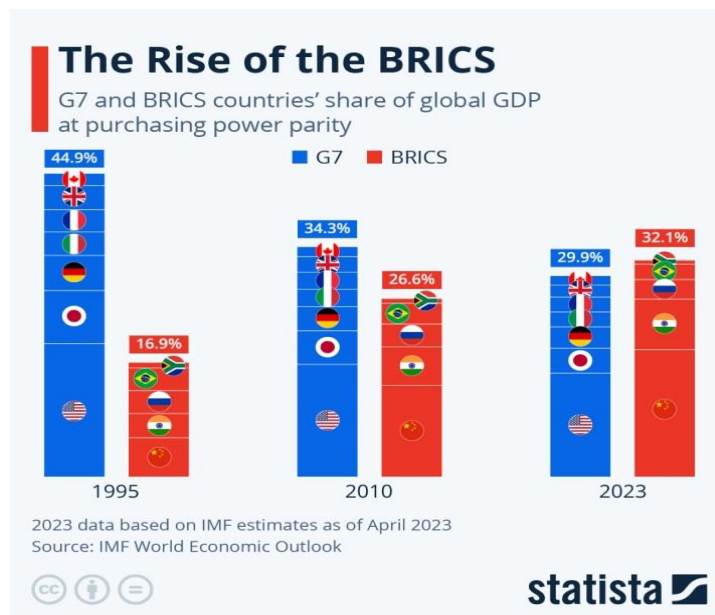
As of 2023 data, China (#2), India (#5) and Russia (#8) are among the world's top ten economies.¹⁰ (See Figure 3)

¹⁰ "The World's Largest Economies", World Data Info, accessed on September 15, 2023. <https://www.worlddata.info/largest-economies.php>



(Figure 3)

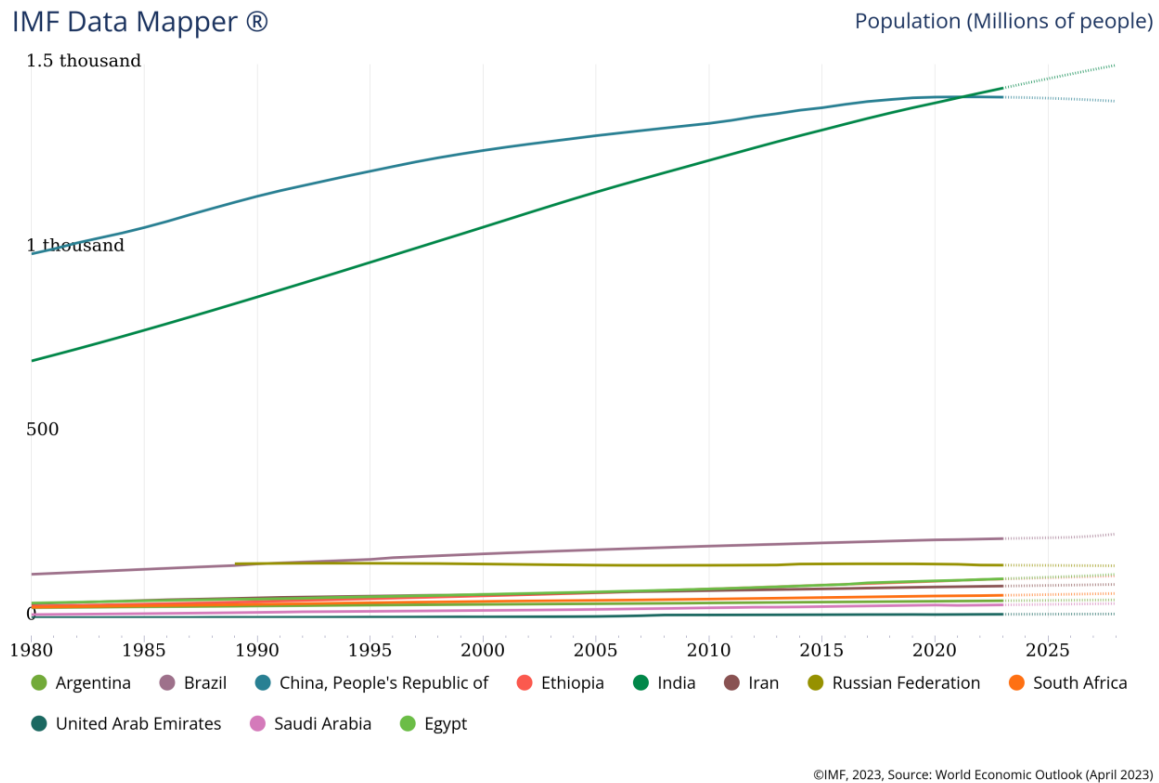
All BRICS countries, due to their increasing economic influence are becoming drivers of the global economic growth. While quoting IMF data, Bloomberg reported that by 2028, BRICS countries will contribute close to 40% of global economic growth.¹¹As of April 2023, compared to the G7’s(Group of Seven) share of global GDP at PPP which stood at 29.9%, BRICS members’ share in global GDP collectively accounted for 32.1%. (See Figure 4)¹²



(Figure 4)

¹¹ "BRICS cooperation shines with strong appeal", Bloomberg, published on August 19, 2023. <https://www.bloomberg.com/press-releases/2023-08-19/brics-cooperation-shines-with-strong-appeal>
¹² Felix Richter, "BRICS VS. G7 - The Rise of BRICS", Statista, published on August 22, 2023. <https://www.statista.com/chart/30638/brics-and-g7-share-of-global-gdp/>

In 2000s, G7 made approximately 50% of global GDP at PPP, while BRICS was contributing just below 10%. And now, with 6 additional members, BRICS represents almost half of world's population (55.75%) (See Figure 5)¹³ and its share in the global GDP at PPP is approximately 37% (36.9%). (See Figure 6)¹⁴



(Figure 5)

¹³ "BRICS Plus Population", International Monetary Fund (IMF), map extracted on September 22, 2023. <https://www.imf.org/external/datamapper/LP@WEO/ARG/BRA/CHN/ETH/IND/IRN/RUS/ZAF/ARE/SAU/E/GY?year=2023>

¹⁴ "BRICS Plus members' share in Global GDP at Purchasing Power Parity", International Monetary Fund (IMF), chart extracted on September 22, 2023. <https://www.imf.org/en/Publications/WEO/weo-database/2023/April/weo-report?c=213,223,924,469,644,534,429,922,456,199,466,&s=PPPSH,&sy=2009&ey=2028&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>

Country	Subject Descriptor	Units	Scale	Country/Series-specific Notes	2009	2010	2020	2021	2022	2023
Argentina	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	0.782	0.817	0.707	0.736	0.749	0.731
Brazil	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	3.041	3.105	2.382	2.356	2.347	2.304
China	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	12.972	13.624	18.142	18.538	18.480	18.923
Egypt	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	0.921	0.919	1.020	0.992	1.024	1.034
Ethiopia	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	0.095	0.100	0.212	0.212	0.219	0.226
India	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	5.468	5.725	6.824	7.012	7.251	7.470
Islamic Republic of Iran	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	1.927	1.934	0.998	0.984	0.977	0.970
Russia	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	3.397	3.371	3.093	3.078	2.918	2.859
Saudi Arabia	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	1.570	1.566	1.276	1.249	1.315	1.319
South Africa	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	0.750	0.734	0.597	0.590	0.583	0.567
United Arab Emirates	Gross domestic product based on purchasing-power-parity (PPP) share of world total	Percent		i	0.638	0.615	0.498	0.497	0.507	0.510

BRICS Plus Countries share in Global GDP at PPP (Figure 6)

(Data generated from IMF)

In addition, BRICS members are active members of leading international organisations and agencies where they carry substantial clout such as the UN, G20, WB, and IMF. They had 14% of the total votes at the World Bank as of July 31, 2023, and 15% of the quota share at the IMF as of August 8, 2023.¹⁵ In light of the latest data cited above, from geopolitical, geostrategic, economic, and diplomatic perspectives, BRICS seems to be an appropriate forum for Pakistan to be a part of.

For Pakistan, which is a member of the SCO, it is a suitable option to join a dynamic organisation like BRICS due to its growing political, economic, and diplomatic potential which will be beneficial for Pakistan's short and long-term interests and help in realizing its much-desired pivot to geo-economics, keeping in mind its geo-strategic interests.

Moreover, by becoming a part of BRICS, Pakistan would be able to expand its diplomatic influence, open up lucrative trade and investment opportunities, and get access to vast natural resources like

¹⁵ "Chart of the Day: The significance of BRICS", CGTN, published on August 19, 2023. <https://news.cgtn.com/news/2023-08-19/Chart-of-the-Day-The-significance-of-BRICS-1mojXxSPO9y/index.html>

oil and gas. Especially after addition of new members, BRICS members will cover half of the world's oil and gas resources.¹⁶

With regards to food production, BRICS countries contribute almost half to the global food production, with 4 of its members being the top food producers in the world which include: China, India, Brazil, and Russia.¹⁷ Hence, Pakistan being a country facing acute food and energy shortages will greatly benefit by having access to massive energy and food markets by being a part of the BRICS organisation.

By joining BRICS, Pakistan will have access to mobilized funds and resources allocated by the NDB for different sustainable development projects that Pakistan critically needs. Also, by becoming a member of the NDB, Pakistan will have alternatives to the Western-created and dominated creditors like the IMF and WB. This will definitely lift off substantial pressure from Pakistan's policy and decision-making which it had been facing since long as well.

Challenges for Pakistan in joining BRICS:

Acquiring BRICS full membership will greatly benefit Pakistan and present great opportunities; however, Pakistan's BRICS membership also faces its unique set of challenges. They include:

- The first and foremost challenge to Pakistan's BRICS membership is India's opposition to Pakistan's inclusion in the organisation.
- Another challenge for Pakistan in joining BRICS is to efficiently handle political and economic pressure that Pakistan might face from its Western partners, who perceive BRICS as an organisation that was created as a counterweight to Western-created global financial institutions and challenge the global influence of the US dollar.
- Pakistan is currently facing a plethora of issues that range from political instability, economic stagnation, terrorist attacks, climate change to food and energy insecurity. Countries like India within BRICS will try to use these issues against Pakistan to weaken its case.
- Political stability in Pakistan and consensus among all relevant stakeholders is extremely necessary before approaching BRICS for full membership.

¹⁶ "A-Z Index", U.S. Energy Information Administration, data extracted from the source on September 22, 2023. <https://www.eia.gov/tools/a-z/>

¹⁷ Sean Ross, "4 Countries That Produce the Most Food", Investopedia, published on April 30, 2023. <https://www.investopedia.com/articles/investing/100615/4-countries-produce-most-food.asp#:~:text=The%20world's%20top%20four%20food,production%20plays%20in%20their%20economies.>

- Besides India, there are also chances that other countries might give into the pressure from external forces and block Pakistan's entry into BRICS, forces that are antagonistic towards Pakistan.

Recommendations:

The case for Pakistan to opt for BRICS membership is strong. However, there is still a lot that needs to be done in order to make Pakistan's bid formidable and undeniable. Following are the recommendations for Pakistan when making its case for BRICS membership:

- Despite India's expected opposition to Pakistan's BRICS membership, Pakistan should continue to make its case as an eligible candidate. For the constant and repeated opposition to Pakistan's case for BRICS membership, India will have to spend its political capital within the group which will ultimately run out and fatigue rest of the members of BRICS.
- To counter India's efforts to weaken Pakistan's case in front of other BRICS members, Pakistan will have to conduct an aggressive diplomatic campaign to lobby all members of BRICS to vote in favour of Pakistan and convince India to let Pakistan in for the larger benefit of the organisation.
- Pragmatic assessments of Pakistan's national capacity and capabilities must be made before joining BRICS. This will help Pakistan avoid making commitments which the country would find hard to fulfil later, restrict its policy manoeuvrability or infringe upon its interests.
- Pakistan will have to play on its strengths such as increase its agriculture and food production output plus quality. This will help Pakistan's case for membership as it will showcase that it will substantially contribute to the collective output of the group and is capable of commercially dealing in commodities with other members.
- It is equally pivotal to work on strengthening the national currency – PKR, as it will aid in smoothly dealing in national currencies with other members for commercial purposes.
- Besides working on the existing strength areas of Pakistani exports, the overall export portfolio also needs to be expanded extensively and move towards product specialization will also have to be made in order to compete with bigger economies within the group and avoid becoming commercially redundant.

- Policy consistency will have to be ensured at every level. This will boost confidence of other BRICS members on Pakistan as a potential candidate for BRICS and will generate economic and political dividends even after becoming a member of the organisation.
- Pakistan should immediately apply for NDB membership even before it formally applies for BRICS full membership. Being NDB's member will complement and strengthen Pakistan's full membership case into BRICS as well.

Conclusion:

Despite concerns of a few members, several geopolitical factors have driven BRICS to expand. This trend which officially began during the XV BRICS Summit in 2023 will most probably continue for the foreseeable future. However, it is imperative for Pakistan to capitalize on this opportunity before this window is no longer available.

BRICS is going to shape geopolitics and it would be remiss if Pakistan misses the window of opportunity to join the organisation, especially when majority of its members have openly stated that they are ready to welcome all promising members who fit the bill to join BRICS.

The addition of six new members into BRICS is a window into its future orientation. In comparison to the new inductees, Pakistan's chances of being accepted into the group are extremely bright, provided it effectively fulfils all the criteria and advocate its case consistently, with good merit and strong credibility in a timely manner.