

BRICS: Opportunity to India to Be a Superpower

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Abstract: 6th summit of BRICS held in Brazil between 14th to 16 July, 2014 got remarkable exposure than ever before. Set-up of New Development Bank which has strength of breaking monopoly of IMF and IBRD and Contingency Reserve Arrangement (CRA) are the two key outcomes. The strength and validity of BRICS at global level highly depend upon interrelationship among BRICS members, particularly on India and China. Keeping all bilateral controversies aside PM Modi and Xi Jinping opinioned parallel remarks on present international politics and expected changes in the international institutions. They talked about equal opportunities as well as challenges of both the countries. Both they came close beyond the expectation and talked on economic issues as well as border dispute and cross border terrorism. Both they invited each other; especially Xi Jinping preferably appealed Modi to participate in the meeting of Asia Pacific Economic Cooperation (APEC) to be held at Beijing in China in November, 2014 and giving green signal to attend Shanghai Cooperation Organization (SCO) and indirectly become full member of SCO. Hon. Putin's meet also proved fruitful. China's positive attitude and cooperation to India at the same time support of other members of BRICS is a precise indication to become India as a Superpower.

I. Introduction:

In the year 2009, developing countries viz. Brazil, Russia, India, China and South Africa (in 2010) coming together established BRICS association. The average economic growth rate of BRICS countries in the last 40 years remained 6-7 percent. These all economies have adopted economic liberalization policy. Hence, for the effective use of their abundant natural and human resources as well as industrial development they are in need of foreign capital investment. At the global scenario BRICS has incredible strengths. BRICS covers one fourth part of the geographical area of the world, 40 percent of World population. Its combine GDP is of \$ 24 trillion and plays important role in World trade. Among these five Russia is affluent in the production of crude oil and natural gas, China is dominant in manufacturing sector, Brazil is leading to agriculture production, South Africa is famous in tourism and India is ahead in technology. If these countries come together and thinking seriously helped each other, would achieve tremendous economic growth and succeed to be a power block in the World politics.

II. 6th Summit of BRICS Proved Worth

6th summit of BRICS held at Fortaleza and Brasília in Brazil between 14th to 16 July, 2014 got remarkable exposure than ever before. The joint memorandum passed in the summit got tremendous coverage at global scenario. Brazil, Russia, India, China and South Africa, these five countries in the group of BRICS got audience of both groups viz. 1. leaders in the emerging country who expect success of democratic philosophy through BRICS to lead the world on line to provide equal opportunities and 2. USA and their hidden supporters Britain and Japan as well as Breton wood twins IBRD and IMF. Indirectly, these twins always engaged for futile of BRICS and feel that internal clashes between India and China will automatically become obstacles in the progress of BRICS. This time, the three days 6th summit destroyed the dreams of the second group. Further, Western countries along-with IMF and IBRD expected that BRICS summit will concentrate only around the economic dealings. Indeed, BRICS summit reached towards world's burning issues like Gaza, Afghanistan and Syria. On this background the success of BRICS summit is worth mentioning.

III. Need to Break Monopoly and Democratization of International Institutions

IMF and IBRD are the two major international institutions which provide finance to development projects in its member countries. Post Second World War, through Breton Wood contract IMF and IBRD came into existence and their regime started. Since their inception they are under the command of Western countries particularly USA. At the time of receiving loans developing countries face difficulty owing to bias policy of USA. Due to this partiality approach of USA, key development projects in developing countries could not complete in time. Most of the times American politics concerned to foreign policy became obstacle in sanctioning loans from IMF and IBRD to developing countries. Countries in favor of USA could get loans quickly and easily. USA always tried to utilize IMF and IBRD as its own financial instrument to lend a hand to

its political and economic supporters. On the contrary, making strategic blockages USA deliberately keeps away from the benefit of IMF and IBRD to those countries that are in opposition to USA's political principles. This was resulted into dominance of western countries and USA on the global economic institutions like IMF and IBRD. Developing countries faced big difficulties of this monopoly approach of USA and Western countries. On this backdrop there was a need of the time to break monopoly of IMF and IBRD and establish a parallel financial system on the democratic principle to diminish the notion of dollar. India continuously demanded for the same but, could not succeed. On this line India first time opened this matter for discussion in the BRICS summit held in 2012 at Delhi. India was in the opinion that an alternative financial system would not only be for these five nations but also for all developing and underdeveloped countries. India also discussed whether this alternative provision would fulfill the financial need of the projects in developing and underdeveloped countries.

IV. Economic Importance of Asia

Despite, new administrative and supervisory changes, modified rules and conditions adopted on line to economic reforms, many banks and financial institutions in Western countries could not come out from economic slowdown. As a result, global economic equations have shifted towards Asian countries. Along-with new thoughts it was the need of the time to set up new currency, new inclusive policy rapidly. In this economic recession developing countries like China and India settled at their own but, no any strong alternative arrangement could take place. On this backdrop need of restructuring the economic institutions at World level became essential; on the other side there was a positive environment to step up for the same. Recognizing this opportunity, BRICS played important role at right time. Setting up of BRICS bank and Emergency Fund these are the two important results.

V. Establishment of BRICS Development Bank

The New Development Bank was agreed by BRICS leaders at the 5th BRICS summit held in Durban, South Africa on 27 March, 2013 and the dream of BRICS Development bank executed in the 6th summit which is called the biggest output of BRICS. The head office of the Bank will be in China at Shanghai and starting capital in the bank will be \$50 billion and it will be increased to \$100 billion over time. Brazil, Russia, India, China and South Africa will initially contribute \$10 billion each to bring the total to \$50 billion. Unlike the World Bank, which assigns votes based on capital share, in the New Development Bank each participant country will be assigned one vote and no countries will have veto power. The bank's primary focus of lending will be infrastructure projects with authorized lending of up to \$34 billion annually.

Major objectives of BRICS Bank are:-

1. To provide financial support to BRICS countries
2. To give financial support to other developing and poor countries.

The tenure of headship of bank will be for six years. The first president will be from India, the inaugural Chairman of the Board of directors will come from Brazil and the inaugural chairman of the Board of Governors will be Russian. The next headship of the bank will go to South Africa, Brazil, Russia and China consequently. There was also a fear about the domination of China but India shed light on the principle of one nation, one vote which agreed by all the BRICS members. Therefore, fear of dominance of China on this bank proved fallacious.

VI. Set up of Contingent Reserve Arrangement (CRA)

The second important success of the BRICS summit is set up of Contingent Reserve Arrangement (CRA) of \$100 billion to face the fortuitous events. The CRA is a framework for the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures. The objective of this reserve is to provide protection against global liquidity pressures. This includes currency issues where members' national currencies are being adversely affected by global financial pressures. The CRA shall include the following instruments:

1. A liquidity instrument to provide support in response to short-term balance of payments pressures.
2. A precautionary instrument committing to provide support in light of potential short-term balance of payments pressures.

This fund will consist of \$10 billion of "paid-in capital" (\$2 billion from each member to be provided over seven years) and an additional \$40 billion to be "paid upon request". Out of the total initial capital of \$100 billion, China will contribute \$41 billion, Brazil, Russia and India would give \$18 billion each, and South Africa would contribute \$5 billion. It is scheduled to start lending in 2016.

VII. PM Narendra Modi's Meeting With Xi Jinping (China)

There was a great curiosity among Western and European countries about the meeting between Hon. Modi and Xi Jinping. The strength and validity of BRICS at global level highly depend upon interrelationship among BRICS members, particularly on India and China. Keeping all controversies aside, newly elected leaders of China and India came together and assured their countrymen the need of strong and faithful relationship between neighbors. They came close beyond the expectations of America and Japan. Both Hon. Modi and Xi Jinping opinioned parallel remarks on present international politics and expected changes in the international institutions. They talked about equal opportunities as well as challenges of both the countries.

PM Modi first time went to attend the international conference and discussed with China's president Xi Jinping and Russian president Putin on significant issues. Dialogue with China's president proved important in view of bilateral trade and economic relations. China wants to invest in India's development projects and resource development. Especially, China wants to create industrial parks in India and contribute in up-gradation of India railways adopting modern, high technology. Present trade between China and India reached at 100 billion dollar but there is a big trade imbalance. India is continuously trailing by China because China has imposed trade barriers on import. China didn't open software and pharmaceutical sector for other countries. PM Modi has appealed to China to cut down trade barriers in these two sectors. If China agreed then India's export to China will increase and trade deficit will come down. Presently trade deficit with China is approximately 40 billion dollars. It is essential to diminish this gap. Second important thing is that in this meet the talk on border started newly. As a result a new platform/channel of discussion initiated. It is important that question of cross border terrorism came for discussion. The issue of terrorism was never raised before in any of BRICS meeting but this time discussed. India appealed China to give attention towards this problem because China has enough impression on Pakistan and due to Pakistani Islam fundamentalist Jihadi activities Synchronizing region in China has also suffered before. Chechnya in Russia has also victimized due to Islami fundamentalism therefore, China and Russia also need to fight against terrorism along-with India. In this connection president of China appealed to PM Narendra Modi to participate in Shanghai Cooperation Organization (SCO). It is the only association of middle Asian countries which fights against terrorism. Russia, China, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan are the six member countries. Since its origin (1996) India is trying for full membership but didn't get. It is fortunate that China gave green signal to India this time. Another important thing is that Chinese President invited India to attend the meeting of Asia Pacific Economic Cooperation (APEC) to be held at Beijing in China in November, 2014. Including Japan, Korea, Canada, Australia, USA and China, total 21 countries are member of APEC. China wants India should come forward; this is happening first time in the history so, India should think over this China's positive stand.

VIII. PM Narendra Modi's Meeting With Putin (Russia)

PM Modi also met to Russian president in Brazil. Hon. Modi appealed him for cooperation in supplying nuclear fuel for India's nuclear power plant/atomic power project at Kudankulam in Tamilnadu state. For the first two plants Russia has already helped but, due to pending of Nuclear Liability Bill/Law in the India Parliament, Russia stopped the supply of nuclear fuel. Therefore, for the nuclear fuel our relations with Russia must be positive and smooth. In this connection PM Modi's meet with Russian president was important. Bilateral and multilateral contracts with Brazil and South Africa are also useful and healthy for India. In this way, through BRICS, India can pretense its political and economical position strong in Asia as well as in the World scenario.

IX. Conclusion

Establishment of BRICS Development Bank and Contingency Reserve Arrangement (CRA) are the two major outcomes of 6th Summit of BRICS. The BRICS development bank can successfully break the monopoly of USA, World Bank and IMF and be come forward as a competitor of them.

To the Indian context it is sweeter to specially BJP and generally NDA government because Prime Minister Narendra Modi first time met to World leaders and keeping some bilateral controversies alongside exchanged the views successfully with Chinese President Xi Jinping and set a new time-honored path of dialogue. As a result, relationship between China and India became brawny and they could achieve a good height of discussion. They also talked on the forward step of BRICS and on the issue of border dispute between China and India. Both they invited to each other. Keeping one step ahead, Jinping appealed to Modi to participate in the meeting of Asia-Pacific Economic Association to be held in China in November 2014. Zi-Jinping preferably called to Modi to participate in Shanghai Cooperation Association. This is an opportunity to India to regain its splendor in the Asia and the World scenario because India has past experience of making a group of Non-alliance countries and Commonwealth Association.

In short, China's positive attitude and cooperation to India, at the same time support of other members of BRICS is a precise indication to become India as a Superpower.

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