# The Rise of The Rest 2.0: The BRICS and the future of US-led international liberal order after the COVID-19 shock

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The future of the international liberal order is in question nowadays. In the middle of the covid-19 global crisis, it's hard to predict if the US hegemon under the international liberal order will survive the continuous rise (or stuck?) of regional powerhouses such as China, India, Russia, Brazil, South Africa, Turkey and Indonesia or if the power will be (re)balanced under a new framework where polycentricity, regional power and inward development strategies will be the new rules of the game in international affairs.

In order to start exploring the plausible futures for the current international order, let's suppose that the BRICS countries (Brazil, Russia, India, China, and South Africa) continue to gain power relative to the United States and other advanced industrialized nations over the next decade. Is this shift in the balance of power towards emerging markets would affect the world economy? Would this change in the balance of power increase, decrease, or have no effect on the degree of global economic integration? Would barriers to international trade and investment intensify, weaken, or not change?

Before answering these question, two disclaimers must be made. First, the acronym BRICS was coined in 2001 by Goldman Sachs – not by coincidence an investment bank specialized in emerging markets to designate a group of highly populated developing countries (Brazil, Russia, India, China and South Africa, the last added in 2010) showing then accelerated growth rates as a sign of their potential to replace – or at least, compensate – the less dynamic and chronically indebted traditional economies (US, EU and Japan) as main the engines of global growth in the new century.

Since then, excitement around the BRICs gradually fades as the group showed very divergent growth trajectories, producing a kind of diminishing expectation regarding their potential roles early assigned by the prophets of the neo-neoliberalism. Second, notwithstanding their profound institutional and cultural differences and very heterogenous economic performance of the present then, all of the BRICS countries share maybe only 2 (two) defining common characteristic. First, these are state-led late development/late democratized economies under hybrid democratic political regimes (exceptions made to China and Russia) stabilized by semi- personalized political settings [Levy, 2014]. Second, all of them are regional powerhouses, meaning their choices in the international area are likely to influence other emerging market in their spheres of influence. In sum, the BRICS countries must not be taken-for-granted as a cohesive group with mutually bounded interest or as always caring to coordinate each one's actions in the international arena. My guess is that will prove to be true even after the BRICS countries have established themselves as a kind of affinity group – regularly convening a leader's summit and founding a development bank to fund infrastructure projects of each one's interest around the globe. It will be in that sense that this scenario will be considered.

Supposing BRICS countries (Brazil, Russia, India, China, and South Africa) continue to gain power relative to the United States and other advanced industrialized nations over the next decade is somehow conducive to the following premises: (a) the shift in the balance of power toward emerging market will be of relevance considering the type and architecture of the current (neo)liberal world order and (b) the song will be (more or less) of the same at least for the next decade [Drezen, 2020], meaning that covid-19 depression won't be an inflection point leading an economic disruption as "The Great Depression" in late 20s; but more of an acceleration of current trends, resulting in a "square root"-shape rebound of global growth levels and a K-shape trajectory when it comes to inequality in several socio-economic domains (income, jobs, health, productivity).

My hypothesis is that **the international order is likely to transit toward a more (regionally) bounded, thinner, and less ideological (but not necessarily non-liberal) order** [Mearsheimer, 2019] just *if* BRICS continuous rising became a reality – a plausible necessary but not sufficient (somehow, nor even likely…) condition. A polycentric realist order with regional spheres of influence led by each one the BRICs (no longer under the dual hegemony of US in the West and China in the East as seems to be the case today) where first-best options to the BRICS (maybe not as a likeminded group of countries, but as an alliance of interests) would be push for reforms that grant greater degree of autonomy to responsible political, economic and policy experimentation deviance at domestic level under the current international liberal order. That's without leaving the club or engaging in confrontation with the international liberalism in decline. I will call this strategy a **"selective integration."**

Selective integration implies 4 (four) dimensions: (a) choose the right battle to fight towards a less exigent liberal order, (b) pretend – and here pretend is the key – to behave under the norms of international liberalism, (c) exercise soft power as regional leaders without formalizing blocks and by accommodating inherent bilateral tensions (Brazil vs. Argentina, India vs. Pakistan, Russia vs. former URSS republics, and China vs. Japan and Korea, South Africa vs. China's influence in Africa), and (d) cherry-picking membership to IOs, multilateral agreements and protocols while conditioning engagement to special treatment (i.e. compensatory funds at Paris Agreement, increasing safeguards and patent breaks at WTO, less conditionality on IMF loans, less strict review of compliance with human rights, labor and environment protective principles and practices as requirements to access international donor's funds).

**The change in balance of power toward the BRICS would moderately decrease the current degree of global economic integration** that characterized hyper globalization up to the 2008 crisis, preserving some *de jure* instruments of international liberalism that have proved convenient to the BRICS rising and maybe prove instrumental in the next decade to impose economic discipline on their own "periphery". Selective integration **welcomes some doses of political agnosticism in a multipolar world** by not trying to micromanage politics of every country - as it's the case of Chinese strategy in Central America and Sub-Saharan Africa nowadays[1].

By the end of 2030, the final architecture will be the result of an interplay between the emerging ideas, and narratives around the risks and unequal returns and costs of the hyper globalized capitalism of the recent past (mainly after 2008 crisis), the blames and the accountability regarding the covid-19 health responses (particularly bad in all BRICS countries) of the present, the vigor of economic rebound of the near future, and the long-term persistent social and distributional effects of such disruption [Reinhart and Reinhart, 2020]

There are many reasons – the ***"whys"*** **–** for expect that. These reasons are particularly relevant is we supposed that effects of Covid-19 regarding fiscal hysteresis (higher debt/GDP ratio, primary deficits, higher interest rates, devaluations against the dollar) and social hysteresis (business closures, job destruction, students drop-outs, less urban mobility will endure in the next decade.

If that is correct, domestic political economy will be more contentious from the OPE perspective.

[1] Let's take China as an example once again: Chinese FDI strategy in Central America and Africa is fairly free from considerations

The BRICS countries will deal with even growing domestic political tensions provoked by unequal distribution of returns of years of hyper globalization. Globalized elites will be framed as “greedy” and multi-level governance schemes (such EU) will be characterized as “surviving sovereignty to aliens”. That kind of public debate is ontologically prone to polarization – and maybe will result in less of “embedded multilateralism” while feeding pressures coming from those left out of the globalization feast to “get back control” – the Brexit motto. Semi-autocrats’ leaders, rising nationalism and populist discourse against ‘the elites” (economic, political, intellectual, scientific) are likely to trump open democratic governance in times of crisis [Freiden, 2020] – especially when some autocratic regimes have performed better in covid-19 health response (China, Vietnam, Singapore) than the democratic industrialized nations (EU, France, Germany) and hybrid-democracies themselves (some BRICS included). It will be fair to expect domestic pressures to more protection in favor of national industry and job preservation. That does not mean return to autarchy and autocrat nightmares of the past, but a transit to more discretionary- type of policy making (a “dis-embedding” of liberal norms encrusted in national legal/regulatory frameworks) and to a more decisive-style of political leadership. Tension between globalization and democracy [Rodrik, 2010] has the potential to open doors for the reversal of both. But that takes time and a great deal of inertia in dealing with the early warning sign of it.

Form a constructivist point of view, the BRICS will not be able to articulate a shared identity and/or a common ideology that allow them to play the realist game as a unique pole[2]. China was the first *de facto* defection and others may come in the next decade. However, the BRICS maybe find some common ground in fight for state autonomy to implement what now are consider as too heterodox measures (capital controls, dirty floating, privileges for domestic capital within borders, loose definition of unfair trade) in the name of dealing with middle-income trap and growing inequality within borders.[6]

[2] It’s hard to image how a Roman Catholic, a Christian Orthodox, a Hindu-major, a Confucian, and a traditionalist country will be able to overcome religious traits to from a cohesive group of likeminded countries. On the other hand, Confucianism did not give China a pacifist ethos.

Finally, form system theory perspective, neither the system cannot simply expel such economies, nor the BRICS wants to bring the liberal order into ashes. First, there is no need to confront them is they will be playing the realist game alone. Accommodation and tolerance are less expensive than confrontation. If that have been the case with China, why not with the others? Second, the BRICS actually have vested interests in preserving some dimensions of the neoliberal order in (apparent) decline – at least to the point that the gradual shift in balance of power in their favor (as the proposed scenario supposes) made them powerful to reform it from inside on in its own terms.

That means capturing the system to advance "the greater autonomy agenda. It's not a retreat, but an occupation – let's say conquer veto power in UN Security Council or equal voting rights at IMF. It the usage of international liberal order institutions, rules and norms as ladder to counterbalance the US grip in the IOs, to (then) *adapt* them. That maybe result in tacit acceptance of capital controls as macroprudential measures by IMF, in better conditions of WB loans to target inequality beyond poverty, in less attention paid to the "Singapore issues" in trade talks at WTO, less naming-and-shaming regarding human rights violations, corruption scandals and use of privacy data for security purposes. In sum, economic integration with less political interference at domestic level.

A big caveat is needed here. We don't know by now in the middle of an unprecedent crisis what will be the condition of international capital markets in terms of liquidity during the next decade. On the same token, we cannot anticipate what will the economic policy responses taken by the BRICS. The power of rising stars depends more on economic dynamics that military power. After a triple shock crisis, conditions of international liquidity will be key. As mentioned, the most likely scenario would be long and gradual recovery in square-root for global growth rates and K-form if considering long-run effects of covid-19 on national wealth (GDP/per capita). In this macroeconomic scenario, the likeliest shift in balance-of-power won't be in favor of the BRICS, but in reinforcing US-China duality due to a general sink of emerging markets. Generally speaking, the conjuncture does not seem favorable to BRCIS' power gains in the next decade.

**If covid-19 dramatically deteriorates fiscal conditions and emulates a restrain in international liquidity during the next decade that will prevent all BRICS countries to adopt desired inward strategies due to financial constrains** – despite of the big trend mentioned before. Brazil and India heavily depend on exports (commodities, pharmaceuticals and services export) to bridge secular structural deficits in capital accounts. Trade barrier and capitals controls during the covid- 19 aftermath will be counterproductive – to say a minimum – for those desperately trying to capture foreign savings. The BRICS can benefit from a multiple advantageous staring-point in competing for foreign savings against other emerging markets: (a) a near-zero interest rates that can be raised to capture capital flows, (b) and over devaluation of national currencies against the dollar during 2019-2021 to boost exports and (c) large domestic markets to attract FDI. International investors would be more tolerant to higher levels of debt/GDP ratios across the EMs and will be incentivized to include real economy fundamentals into repayment capacities analysis to guide portfolio's risk diversification.

The most likely scenario for FDI is actually more of openness. Net effect would be ambiguous. Increasing efforts by emerging countries to capture FDI to seize the effect of devaluation on low real wages and cheaper assets in one hand. Less appetite of international investors due political pressures to stop offshoring production, made it at home and guide investment by the logic of job creation at home, on the other. Self-reliance and higher degree of autarchy in some "strategic" sectors as a precautionary measure for further shocks and crisis will be the prevalent narratives.

In sum, **the BRICS are not likely to look for or to impose trade barrier, capital controls or FDI restriction in the next decade.** There will pressures toward state autonomy, inward orientations, some degree of protectionism and over all less economic integration, but that's a luxury that BRICS countries will not be able to pay in this dismal scenario.

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