



Geopolitics and the New Leaders of the Free World

Meet the new kids on the block – **Brazil, Russia, India, and China.**

Appropriately referred to as “**the BRICs**,” these four countries will become the foundational building blocks upon which future world economies and foreign policy initiatives will be constructed.

The United States will still maintain its position as the matriarch of the family, lending its leadership in global conflict negotiations, but the days of acting without the support of the BRICs are drawing to a close. Their **rise in power** is traced to two key developments:

- Russia and the Gulf States are seeing record profits as a result of **increases in oil and commodity prices.**
- Greater cost savings and relaxed government policies have brought **manufacturing hubs and service industries** to the Asian continent.

In the next 15 years, we can expect to see the decline of the “international system,” one that is unilateral and managed almost exclusively by the US. In its place, a global “**multipolar system**” will emerge and prompt the BRICs and other powerful actors to secure their roles on the global geopolitical stage.

“The international system – as constructed following the Second World War – will be almost unrecognizable by 2025 owing to the rise of emerging powers, a globalizing economy, an historic transfer of relative wealth and economic power from West to East, and the growing influence of nonstate actors. By 2025, the international system will be a global multipolar one with gaps in national power continuing to narrow between developed and developing countries” (Global Trends 2025 p.vi).

Each country will have a unique role to play in shaping the new world order.

China will continue to push forward into the age of industrialization, having recently surpassed Germany as the world’s third largest economy. With a 13 percent increase in the country’s gross domestic product in 2007, China’s \$3.38 trillion export-fueled economy reached number three sooner than anyone predicted.



FACT: By 2025, the eight **largest global economies** will be:

- | | |
|-----------------|-------------------|
| 1. US | 5. Germany |
| 2. China | 6. UK |
| 3. India | 7. France |
| 4. Japan | 8. Russia |

FACT: As early as 2040, the **BRICs’ collective GDP** will have **matched** that of the **original G-7’s** (France, Germany, Italy, Japan, UK, US, and Canada) share of the global GDP.



FACT: “Of the **top 100** new **global corporate leaders** from the non-OECD world listed in a 2006 report from Boston Consulting Group, **84** were headquartered in **Brazil, Russia, China, and India**” (Global Trends 2025 p.8).





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Experts now forecast that China could surpass the US, who's 2007 GDP reached \$13.8 trillion, in as little as 18 years. That's a **\$10 trillion upswing** in less than two decades despite the current economic recession, and we have no reason to doubt that China will continue its rise in both economic and political power.

"China has been using its increasing wealth to buy political clout by investing in underdeveloped parts of Asia, Latin America and Africa. It is gaining influence in global economic institutions such as the Group of Eight and the International Monetary Fund, which have long been dominated by Western powers. It is now the biggest holder of US Treasury securities" (Cha p.2).

Alongside economic growth, achievements in politics, science, engineering, and the arts have also brought China to center stage.

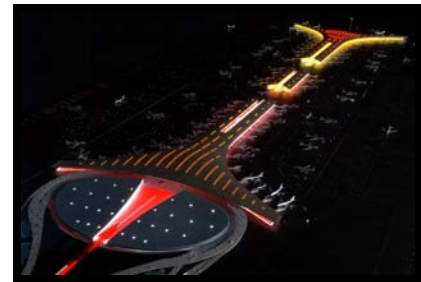
"China has trumpeted its achievements in the past few years especially: It hosted the Olympics and pulled off its first spacewalk, and native sons and daughters such as Jet Li and Zhang Ziyi became Hollywood darlings. Its engineers have built the world's largest building (the new Beijing airport), the longest trans-oceanic bridge (connecting Shanghai to Hangzhou), longest plateau railway (to Tibet), the fastest train (Shanghai's "maglev"), and the largest dam (Three Gorges)" (Cha p.2).

Does the US still have that same desire to be the best? What major achievements have we pursued in the last 20 years that can be touted as the largest, fastest, or longest? Are there other qualities that we should strive to be recognized for instead, such as being the smallest, greenest, or safest?

As China's increasingly profitable neighbor to the south, **India** leads the way in information technology services, pharmaceutical development, and auto parts production. In the last 15 years, India has become the world's second-fastest-growing country (China still holds the number one spot).

To put this in perspective, Fareed Zakaria, author of *The Post-American World*, writes that in the 1980s, the average Indian could expect to double his income in 57 years; today, it takes only 10 years to see the same increase.

Becoming the **BEST**: China's engineering feats improve more than just infrastructure



World's **Largest** Building
The New Beijing Airport



Longest Trans-oceanic Bridge
Hangzhou Bay Bridge



Longest Plateau Railway
Qinghai-Tibet Railway



World's **Fastest** Train
Shanghai's Maglev



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Zakaria observes that “more Indians have **moved out of poverty** in the last decade than in the preceding fifty years” (p.130).

India’s economic prosperity has been growing *despite* the country’s lack of strong infrastructure, thanks to its steadfast commitment to democracy and an effectively prosperous private sector.

“And somehow they overcome obstacles, cut through red tape, bypass bad infrastructure – and make a buck. If they cannot export large goods because of bad highways and ports, they export software and services, things you can send over wires rather than roads” (Zakaria p.135).

And what a contrast to its northern neighbor: China’s authoritarian government has the ability to dictate where and when to build roads, airports, and shipping ports and has no qualms about displacing entire populations if necessary. What China can build in a year may take India a decade, but that hasn’t stopped India from achieving economic prowess that rivals its industrialized trade partners. Nearly 50 percent of India’s GDP owes thanks to its **booming service industry**, and with a growing population of working-age citizens who see knowledge as the infinite frontier, the possibilities are seemingly limitless.

But India’s demographic portrait isn’t universally so rosy; while it’s true that 300 million Indians enjoy an urban, middle class lifestyle, 800 million others survive on **less than two dollars** a day. The impoverished still outnumber the fortunate nearly three to one, and the results of recent efforts to bring education and healthcare to rural communities will remain to be seen in the coming years.

Representing the BRICs in the Western hemisphere, **Brazil** has grown to be the largest economy in South America. With modern advances in agribusiness and offshore energy exploration, the country once known best for Rio de Janeiro’s hedonistic Carnival celebrations is now shaping up to be a more diverse and serious world player.

Brazil’s **diversified markets** have helped its economic foundation remain strong in the wake of aftershocks from the US recessionary earthquake. In fact, spending is up, and Brazilians subsequently saw a 5.4 percent increase in their economy in 2007.

FACT: In the next three years, General Motors will import **\$1 billion** in **Indian-manufactured car parts**.



INDIA’S PRIVATE SECTOR: Companies to Watch

Infosys®

Holographic Cell Phones: India’s technology powerhouse **Infosys** will have introduced 8.1 million holographic mobile handsets, capable of “projecting, capturing, and sending 3D images,” to the world by **2010**. Read more [here](#).

 **TATA**

Supercomputers: In 2007, Computational Research Laboratories, a division of Tata Sons, developed **Eka**, the world’s fourth-fastest supercomputer and the fastest in Asia. Read more [here](#).


Reliance
Industries Limited

India’s Largest Company: In 2006, Reliance became India’s first private sector enterprise to cross the **\$2 billion profit** mark. Read more [here](#).



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But what truly makes Brazil an emerging global player are three little words that have the entire developed world chomping at the bit with investment dollars in hand: **Tupi oil fields**.

In late 2007, Petrobras, Brazil's national oil company, announced that recent discoveries in the **Tupi fields**, some 170 miles off the coast of Rio de Janeiro, may amount to as many as **8 billion barrels of oil**, with billions more in surrounding areas. By 2010, the Rio de Janeiro State Federation of Industries estimates that investors will have poured more than \$67 billion into Brazil's growing economy. At that time, Petrobras has said that they hope to be producing upwards of 100,000 barrels of oil a day and more than a million a day by 2020. Their investment alone is expected to be \$40 billion by 2012.

Oil isn't the only commodity receiving large investments in Brazil. Since his election in 2002, President Luiz Inácio Lula da Silva has made it a priority to invest in the **human capital** of his country.

"Brazil is also outspending most of its neighbors on social programs, and overall public spending continues to be nearly four times as high as what Mexico spends as a percentage of its gross national product" (Barrionuevo).

The results of these social programs, many of which provide microloans to encourage entrepreneurship and self-employment, have been significant; the Center for Social Policies at the Getulio Vargas Foundation in Rio de Janeiro estimates that between 2004 and 2006, the number of Brazilians living below the poverty level dropped more than 30 percent.

Arguably the most volatile of the BRIC players, **Russia** claims its stake in the world market with vast energy and metal resources. What is perhaps most interesting about Russia is that we rarely consider this country an up-and-coming contender for global power – its people are some of the poorest in the world, its infrastructure is crumbling, and its government has been historically isolated and corrupt. This fact alone would seem to completely disprove the BRIC power theory, but we should be carefully reminded that Russia has become one of the **leading energy exporters**, and the world will increasingly rely on favorable Russian relations to ensure access to resources for the global population.



RECENT NEWS: Jan. 15, 2009 – BG Group Plc., a British oil and natural gas company, will **invest \$4 billion** in Brazil's Santos Basin, home of the Tupi oil fields. Read the full story [here](#).

Brazil's Social Programs: Paying it Forward



From the New York Times: "Many families have bridged the gap to the middle class by using subsidy programs to meet basic needs, and then applying for small loans to start their own businesses. In Fortaleza, Maria Auxiliadora Sampaio (pictured above) used a microloan of about \$190 to buy nail polish and kick-start her manicure business, which she runs out of her house."

The Bolsa Familia Program reaches 46 million people in Brazil, providing small loans averaging \$35 to help Brazil's poorest afford basic necessities that allow them to keep their children in school and up-to-date with routine healthcare.



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Experts estimate that Russia is home to more than one-fifth of the world's known natural gas reserves and has at least 75 billion barrels of oil, representing 7 percent of the world's total oil reserves. However, unlike Brazil's greatly diversified economy, Russia is putting all of its eggs into the energy basket, and as we've seen this past year with the gas crisis in Europe, this is a potentially dangerous situation for the already tumultuous country to face. The Russian government's budget is dependent on oil and gas revenues, and when the country feels threatened, they have no problem **playing hard ball** until they get what they want.

In stark contrast to the youth bulge in India, Russia is seeing a steady drop in its working-age population. Former Director of National Intelligence Mike McConnell recently told interviewer Charlie Rose that Russia is one of the only industrialized countries where its people are actually experiencing a **decrease in life expectancy**.

But all hope is not lost for Russia.

"Russia has the potential to be richer, more powerful, and more self-assured in 2025 if it invests in human capital, expands and diversifies its economy, and integrates with global markets. On the other hand, Russia could experience a significant decline if it fails to take these steps and oil and gas prices remain in the \$50-70 per barrel range. No other countries are projected to rise to the level of China, India, or Russia, and none is likely to match their individual global clout" (Global Trends 2025 p.vii).

The shift of wealth from West to East is undeniable and unprecedented in modern history. As the BRICs continue to flex their political and economic muscles, the US will be required to adapt to its new geopolitical environment.

How do we effectively share the playground? What will be America's new role on the global stage?

The answers to these questions will be determined both by the willingness of the BRIC countries to participate in an open society and by the relationships we forge with them, not just as a collective nation, but as individuals.



RECENT NEWS: Jan. 16, 2009 – Russian Prime Minister Vladimir Putin proposed a solution to the Russia-Ukraine gas crisis that has recently left much of Europe in the cold. Read the full story [here](#).

Russia's "Virtual Economy:" From [Brookings.edu](#): "President Boris Yeltsin appointed a special blue-ribbon panel to investigate the low rate of collection of taxes in Russia ... The panel reported that the country's largest companies conducted 73 percent of all their business in the form of barter and other nonmonetary forms of settlement ... An economy is emerging where prices are charged which no one pays in cash ... where wages are declared and not paid."

WATCH: The Charlie Rose Interview with Mike McConnell, *Zfa Yf* Director of National Intelligence



From [CharlieRose.com](#): "We want to look ahead with Director McConnell to the **challenges of the future**, talk about CIA intelligence reforms, misperceptions of intelligence, and what he has learned from mistakes of the past."



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“[Globalization is] the winning concept for individuals, for nations, for the global community in the years ahead. If the world takes the closed route, it starts a vicious circle: Nations turn inward. The world fragments into isolated blocs. This strengthens traditionalists and leads to rigidity of thought. This stagnates the economy and brings increasing poverty. This leads to conflicts and increasing intolerance, which promotes an even more closed society and a more fragmented world. If, on the other hand, the world adopts the open model, then a much different, virtuous circle begins: Open societies turn outward and strive to integrate into the world. This openness to change and exposure to new ideas leads to innovation and progress. This brings rising affluence and a decrease in poverty. This leads to growing tolerance and appreciation of diversity, which promotes a more open society and a more highly integrated world” (Schwartz and Leyden).

Currently the BRIC countries have widely different opinions about developing relationships with the US.

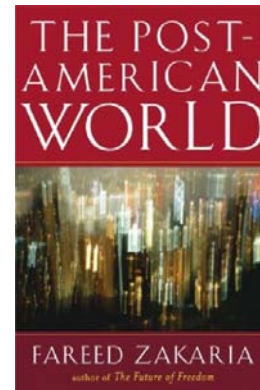
India is perhaps the **most pro-American country** outside of the US itself, and with Western education opportunities teaching Indian students the language of globalization, our culture has become much more complementary to symbiotic foreign policy initiatives.

Brazil has placed developing **strong relationships** with the Obama administration at the top of its priorities list.

For Russia and China, however, the sentiment is worlds apart. **Russia**, despite having also voiced support for the Obama camp, will not budge on the issue of NATO expansion. Russian President Dmitri A. Medvedev recently reiterated that if the US continues moving ahead with plans to construct missile defense systems in Poland and the Czech Republic, Russia will not hesitate to position and deploy missiles in Kaliningrad. Medvedev said “there is **no trust in the Russia-US relations**, the trust we need.”

China is also increasingly wary of opening its doors fully to globalization and the West, instead preferring a model of **state capitalism** to monitor the economy from the top down. In light of the recent US economic recession, this state model is seeing increased popularity throughout countries like South Korea, Taiwan, and Singapore, creating a possible future threat to improved democratization efforts.

FOOD FOR YOUR BRAIN: Suggested Reading



From Amazon.com: ‘This is not a book about the decline of America, but rather about the rise of everyone else.’ So begins Fareed Zakaria’s important new work on the era we are now entering. Following on the success of his best-selling *The Future of Freedom*, Zakaria describes with equal prescience a world in which the United States will no longer dominate the global economy, orchestrate geopolitics, or overwhelm cultures. He sees the ‘rise of the rest’ – the growth of countries like China, India, Brazil, Russia, and many others – as the great story of our time, and one that will reshape the world. The tallest buildings, biggest dams, largest-selling movies, and most advanced cell phones are all being built outside the United States. This economic growth is producing political confidence, national pride, and potentially international problems. How should the United States understand and thrive in this rapidly changing international climate? What does it mean to live in a truly global era? Zakaria answers these questions with his customary lucidity, insight, and imagination.



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Over the next 50 years, who will become America's closest **allies**? Who will become our greatest **contenders**?

How will America's foreign policies toward the BRICs shape the private sector's **business models** and **future market strategies**?

How will our **corporate cultures** transition as the BRICs rise to power?

While it's sometimes easier to see the bleak before the beautiful, Peter Schwartz asks that you remember to fold in the positive when thinking critically about the future.

"Today, without the old visions, it's easy enough to see how the world might unravel into chaos. It's much more difficult to see how it could all weave together into something better. But without an expansive vision of the future, people tend to get short-sighted and mean-spirited, looking out only for themselves. A positive scenario can inspire us through what will inevitably be traumatic times ahead" (Schwartz and Leyden).

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Breaking the **Language Barrier**:

"By 2020, information technologies have spread to every corner of the planet. Real-time **language translation** is reliable. The great cross-fertilization of ideas, the ongoing, never-ending planetary conversation has begun. From this, the new crossroads of all civilizations, the new civilization will emerge" (Schwartz and Leyden).

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