

# The new Geopolitics

**IN THIS ISSUE:**

From the desk of our Chief Economist,  
Dr Desné Masie: The New Geopolitics

Letter from our Chair, Lord Peter Hain:  
Africa is caught in a geopolitical bind

How Goldman Sachs invented the BRICS

In Conversation with Lord Jim O'Neill:  
The BRICS 20 years on

The New Geopolitics:  
Time for BRICS+





*From the desk of our Chief Economist:*  
**Dr Desné Masie**

## The New Geopolitics

Welcome to the IC Intelligence Insights Series where we will be looking at the rapidly changing global political economy and in particular, how Africa fits into this evolving story.

The upcoming BRICS (Brazil, Russia, India, China, South Africa) Heads of State Summit in Johannesburg this August takes place in the midst of escalating geopolitical foment. More than a year on from the Russian invasion of Ukraine, the persistence of the conflict in Eurasia has seen a new world order emerge, with the so-called “Global South” making it clear that the days of the Bretton Woods Transatlantic G7 hegemony are firmly over. Many analysts tell us a new “multipolar” world is emerging, and reconfiguring norms in the geopolitical economy. The BRICS are increasingly leaning into global debate and asserting its political and economic influence in ways that have caught many analysts off guard. Many countries have clamoured to join this new bloc, which is fast emerging as the BRICS+. The international system is decolonising.

In recent months a multitude of hot takes have wondered aloud why South Africa has cosied up to Russia despite reprimands from “The West”, and whether the US has missed a trick not keeping sufficiently abreast of China’s influence in Africa.

I have compiled this Chapter of this insight series in this context. Our Chair, Lord Hain explores the geopolitical bind in which Africa currently finds itself. But I wanted to share some background to the economic and political history that explains why things are the way they are, and give credit to the visionary man who saw it coming, Lord Jim O’Neil, the former chief economist of Goldman Sachs. I have republished a short article from the Goldman Sachs archive that looks at how O’Neill invented the BRICS just over 20 years ago in November 2001 - and the continued ascendancy of this economic and political bloc since his now iconic ‘Building Better Brics’ article. I am also delighted to include in this edition an interview with the man himself, whom I interviewed last week over a coffee in central London, and asked him to reflect on how far the BRICS have come and what this means for Africa and the dollar’s hegemony over global markets. Finally, I end off with a long analytical essay with a long geopolitical arc based on a speech I gave for Invest Africa and the international law firm Addleshaw Goddard in The City in March, where I argue that while the international system is decolonising into a broad dichotomy that pits the G7 against the BRICS+, the geopolitics of energy and climate change remain the headline risk for the global economy as it was before the War in Ukraine just emphasised how power vacuums in global governance leaves us all vulnerable.

I hope you enjoy reading.

*Dr Desné Masie, Chief Economist, IC Intelligence*





## Chair's Letter

June 2023

**Lord Peter Hain**

### **Africa is caught in a Geopolitical bind**

In a multi-polar world where power is shifting away from the US and Europe, how can Africa avoid being forced to choose between former colonial powers and new would-be colonial masters like China and Russia?

Despite its current predicament – hobbled by looting and political gangsterism – South Africa remains an economic giant in Africa, with nearly a fifth of the continent's GDP. So which way it points geopolitically in an increasingly turbulent and polarised world is significant for other African countries. Is it toward the other BRICS countries – Brazil, Russia, India, China – or towards its long-established ties with the West?

Until now Pretoria seems to want to face both ways. But is this tenable any longer, especially with American President Joe Biden framing the choice as being between “democracy and autocracy”? Between President Putin's Russia and President Xi's China on the one hand and, on the other, governments with the rule of law respected in functioning constitutional democracies. A neat framing of the choice for Biden.

Who would want to side with Putin's repression of human rights and poisoning of opposition leaders – or invasions of Georgia and Ukraine? Or with Xi's

oppression of Uyghur Muslims, ruthless suppression of human rights and bellicose threats to Taiwan? But many African leaders remember that US post-World War Two imperialism invaded Vietnam, propped up dictators in Latin America and helped sustain apartheid. Then there was the 2003 invasion of Iraq, launched on false intelligence that its brutal dictator had weapons of mass destruction, and which provoked regional bedlam.

By by-passing the United Nations, the US and the UK encouraged other countries to ignore international law and invade when they chose. The Iraq war destroyed trust in the West. And left many Africa leaders reluctant to jump to America's attention over Ukraine. A “double standards” scepticism reinforced because Israel has remained protected whatever horror it unleashes on the Palestinians.

Also, although the old European colonial ties and subsequent investments still count a lot in Africa, new money and new influence from Beijing and Moscow counts too. Beijing has been buying up Africa big time, especially its resources, somehow avoiding being charged with economic colonialism.

Moscow doesn't have anything like the same money or share of trade, but Putin has used his



mercenary force the Wagner Group, especially in the Sahel, Libya, Sudan, the Central African Republic, Mozambique, Zimbabwe and Madagascar. The deal Wagner offers is security in return for lucrative mining concessions, especially gold because with diamonds it can be used to evade sanctions by selling and exchanging them outside the regulated banking sector. Elsewhere in the world, things are on the move too, as the old alliances come under pressure. Putin's war against Ukraine has triggered a weakening of Russia's defences: the accession of Sweden and Finland to NATO doubles NATO's presence along Russia's border and increases its military defences over the trade routes and internet cables of the north Atlantic and Arctic.

The United Arab Emirates, once a steadfast US and UK ally, has been diversifying its strategic partnerships, continuing to host US troops and US Navy ships, whilst aligning with Russia in Africa. Dubai has also become a big hub for Russian sanctions-busting with over 4,000 of its companies based there. In Africa the UAE has increased investments on the Continent, especially in ports, and works with Wagner Group mercenaries to combat and eliminate Islamic extremism and jihadism. The UAE President has also established himself as a power broker in the Middle East region, aiming to undermine Islamic fundamentalism for example through forays into Libya, Sudan, Ethiopia and Yemen. For its part another once-steadfast US ally Saudi Arabia has defied Washington by cutting oil production and edging closer to China on security cooperation.

NATO member Turkey has shown similar waywardness in US eyes over closer Russian relations. South Africa claims its fence-sitting over Russian atrocities in Ukraine is because it is "non-aligned". Hypocritical surely when many countries were rightly criticised for being "non-aligned" by sitting on the fence over apartheid?

President Cyril Ramaphosa's cosying up to Putin also risks South Africa being expelled from the Africa Growth and Opportunity Act (Agoa), a US law that gives duty- and quota-free access to the US market for selected African countries. Although the Soviet Union may have been an important sponsor

of the anti-apartheid struggle, today's Russia offers South Africa little economically. Russian trade with South Africa is tiny (under one per cent) compared to Europe and the United States (over thirty per cent).

All this makes for a much messier multi-polar world. The US may still be the dominant power, but geopolitics is shifting towards China and India, both set to supersede the US economically. Interestingly, the UK's former head of National Security Lord Sedwill wrote in *The Economist* in February: "Much of the world is rediscovering the appeal of non-alignment. So the West should reinvest in its relationships with countries such as Brazil, India, South Africa, Turkey and the Gulf states.

Although many countries fear aggressive neighbours and few support Mr Putin's invasion, they also complain of Western arrogance and double standards. Old friends we have neglected welcome China's investment and its boundless appetite for the raw materials on which the modern economy and green transition depend. More private Western investment in the 'global south' could be unleashed if underwritten by political investment in sustained and stable relationships." Sound advice, especially since Africa is the only youthful continent – populations in the rest of the world have been ageing rapidly.

But there's also the possible return of Donald Trump to destabilise the global appplecart again. Trump Republicans have cavilled over US support for Ukraine and Trump would doubtless press a land for peace deal unacceptable to Ukraine which is in a life-and-death fight for national self-determination: it fears any deal would be a tactical pause for Putin to regroup, rearm and ready for a fresh attack to colonise the whole of Ukraine.

Surely the answer for Africa is not to be forced to choose between former colonial masters in the West, and new would-be colonial masters like Russia and China? Surely there is an opportunity for African countries to promote self-determination with good governance, democracy, and human rights – and invite new trade with the BRICS as well as deepen older and much deeper economic ties with the West? Not so much facing both ways as facing its own way?

*Lord Hain is a former anti-apartheid leader and British Cabinet Minister, and is the chair of IC Intelligence.*





# How Goldman Sachs invented the BRICS in 2001

## Lord Jim O’Neill’s paper reshaped the world

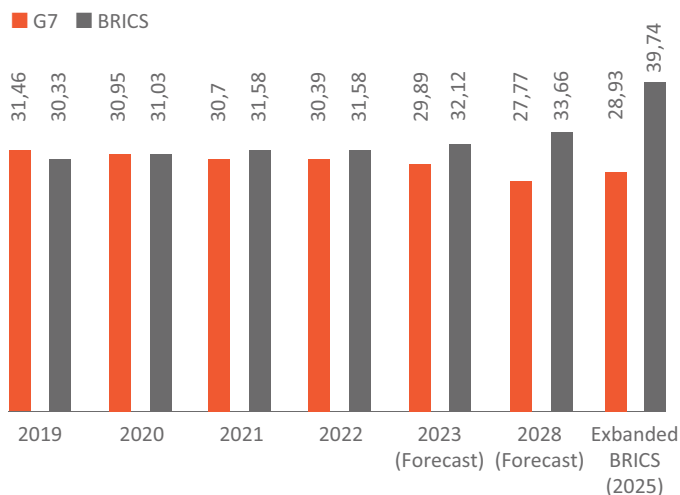
*In 2001, Goldman Sachs’ Global Investment Research Division published: “Build Better Global Economic BRICs,” and coined the acronym for the four countries that would reshape the world economy – Brazil, Russia, India and China.*

Between 2000 and 2009, the pace of growth of emerging economies outpaced that of developed countries for the first time. A 2001 Goldman Sachs Economic Research report focused in on four rapidly growing emerging market countries specifically as key drivers of future global economic growth: Brazil, Russia, India and China.

With “Building Better Global Economic BRICs,” a new term entered the investing vernacular. The paper, authored by Jim O’Neill, then head of Global

**Figure 1: GDP based on PPP, share of world (Billions US\$)**

Source: F Aggad



Economic Research, projected that over the coming 10 years, the weight of the “BRICs”—especially China—in world GDP would grow significantly, and thus so would the global economic impact of fiscal and monetary policy in the four countries.

In line with these prospects, the paper argued that the G7 should be adjusted to incorporate BRIC representatives. Other BRICs-oriented research would follow from Goldman Sachs in the ensuing years, including 2003’s paper, “Dreaming with BRICs: The Path to 2050,” which posited that the BRICs countries could overtake the largest Western economies by the year 2039. The BRIC moniker was adopted broadly in financial and economic circles as the original paper’s projections were borne out: India’s economy grew at an average pace of 6.89 percent per year from 2000 to 2009, and China’s soared at a yearly average rate of 10.35 percent.

By the middle of the decade, numerous BRICs-themed mutual funds, ETFs and indexes were created to track this distinct group of emerging economies. The first annual BRIC Summit took place in 2009 in Yekaterinburg, Russia, bringing together leaders of the BRIC countries to discuss policy issues and common challenges. The following year, the group voted to invite South Africa to join, cementing the acronym BRICS. In 2014, the BRICS Development Bank was established in an agreement signed during the sixth annual BRICS summit in Fortaleza, Brazil. Since renamed New Development Bank (NDB) and headquartered in Shanghai, the institution’s goal is to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging markets and developing countries.

By shining a research spotlight on a select group of emerging economies poised to become the next global growth powerhouses, Goldman Sachs helped both investors and companies frame their thinking and decisions based on a shifting global economic power dynamic. Beyond that, the “BRICs” concept triggered cooperation and collaboration among policymakers in these diverse countries on issues ranging from agriculture, trade, and environmental policies to national security and international finance.

*This article has been republished from the Goldman Sachs Archive. © Goldman Sachs*





## The BRICS 20 years on: In Conversation with Lord Jim O'Neill, PhD

by Dr Desné Masie, chief economist, IC Intelligence

*I sat down for a coffee and a conversation about Africa in the international political economy with Lord O'Neill on a lovely spring morning on Thursday 25 May, in Central London. O'Neill invented the BRICS 20 years ago in a seminal paper he wrote while chief economist of Goldman Sachs. He is the chair of Northern Gritstone and is also the former commercial secretary to the UK Treasury and former chair of Chatham House. He is a huge fan of Manchester United.*

### Jim O'Neill reflects on inventing the BRICS, 20 years on and what it means for Africa

**Desné Masie:** I'm really sorry, Jim, but I am going to have to ask you, as I am sure everyone does, about your famous BRICS paper you wrote for Goldman Sachs in 2001.

**Jim O'Neill:** Uh-huh. Stamped on my forehead forever.

**Desné Masie:** I still think it is so interesting how the acronym has come into common usage and has become a bonafide bloc. But do you think it is still meaningful, given it was meant to describe a set of

attributes that have now become quite divergent?

**Jim O'Neill:** By definition, yes it is meaningful. Martin Wolf wrote about it just yesterday. It's a group that meets every year. And they're about to meet again. And very interestingly, they are considering expanding it. Obviously it has persistence. Whether the economic performance of the BRICS is as we postulated it could have been is an entirely different matter. The answer to that is no, because both Brazil and Russia, after a fabulous first decade, had a disastrous second decade. And if you look where they are compared with what we, or I, said, they could [have been], China has done better than I assumed. India has done nearly as well. Russia has been very disappointing. South Africa ... Dreadful.

**Desné Masie:** Yes. I was born in Johannesburg. I am in voluntary exile. Either way, Alec Russell wrote on Friday in his article for the Financial Times, 'This is the hour of the global south', that more countries want to join the BRICS now. Do you think the BRICS will eventually rival the G7 on the global stage?

**Jim O'Neill:** Economically, it already is. I think we have the data. Last year's GDP data shows that collectively they are now, in PPP terms [see Figure 1 above], already bigger than the G7. So economically, clearly. By the end of this decade, China is going to be pretty close to the size of the US, India is going to be close to overtaking Germany. So, two of the biggest four economies in the world are two of the BRICS. So, you know, obviously economically, despite how disappointing, Brazil and Russia have been. Politically, yes - again, linked to the fact that somebody like Martin Wolf wrote about yesterday. To some degree, the G7's own behaviour is, in a way, elevating the importance of the BRICS more. I think if I go right back to my initial paper, I cannot believe how narrow-minded or naive leaders in the G7 countries are.

**Desné Masie:** Would you like to expand on that? I think that's really fascinating.

**Jim O'Neill:** The whole idea that this group of seven "industrialised" or, "more developed", "earlier developed" countries can run the world, is embarrassing. Because, first of all, their share of the world GDP has declined. Japan's not shown any net





increase in its GDP for 20 years. Italy virtually never grows. So this idea that they are some kind of thing for the whole world to follow. And then on top of it, effectively it's a hostage to whatever Washington wants. And so, and, and how do you solve the mammoth global issues of our time with just those guys. I mean, it's embarrassing and that's quite depressing, because the whole reason why I created the BRICS was to suggest we needed a better form of global government than the G7.

**Desné Masie:** Well that's a very useful segway to my next question, especially given our audience. Many of our readers are in Africa, but we also have a lot of "Africa watchers", globally - And also because having been born in Africa myself, I rail against words like "emerging" and "developing" because it suggests inferiority.

**Jim O'Neill:** Yes, it is slightly derogatory.

**Desné Masie:** Yes, it is derogatory, and it is absolutely a power play. Whereas, things are done in a different way in those markets. They're not "informal", they're different.

**Jim O'Neill:** Well the whole idea that South Korea is still quite often referred to as an "emerging market" highlights what you're saying, because today the average GDP per capita in South Korea is the same as in Spain or Italy. So why on earth should people from the west call them an emerging country? It's ridiculous.

### On Africa the BRICS, and decolonisation supported by Russia and China

**Desné Masie:** Does the BRICS bloc present an opportunity for an increasingly strategic Africa to renegotiate a new vantage point of power in relation to the G7 or does it present new dangers for Africa?

**Jim O'Neill:** Probably both. So, obviously three things to follow. Despite the BRICS, the reality is, that a lot of it is symbolism. Tell me something that China and India ever agree on. And I've just written something that's yet to be published about another question you have about the replacement of the dollar. It's a good job for the West, that China and India never agree on anything. Because if they did the BRICS

would definitely be taking over a lot of things [from the west] and its influence everywhere, including Africa. But, as anybody who looks at these things is aware, it seems to be very difficult for China and India to treat each other as anything other than a rival. So that's the first point. The second point is, of course, from what I could see, and this is definitely happening today, is that three of the BRICS object quite deliberately and try to court influence in Africa. Whether it be Russia, look at the highly controversial debate about Russia and South Africa right now and the arms. Yeah. Obviously China in terms of how much money it's been investing in African countries, and India has a more historic relationship, especially with South Africa because of Gandhi. So, of course, the BRICS are a very significant influence. The whole reason why China effectively invited South Africa in, was to develop a relationship with the whole sub-Saharan Africa. When I said both [a danger and an opportunity], the downside to that is of course, again topical with South Africa today. Some of these countries have got preferential status from important countries in the G7, particularly the US. And if they're going to align more and more with the BRICS, it is probably the case, especially with the current mentality of Washington, that the US will remove some of those preferable treatments. It's worrisome.

**Desné Masie:** I had wanted to talk a bit to you about Russia and South Africa. So it's great you brought it up. I did a talk on geopolitics on 1 March this year in the City of London. So some time before this heightened nervousness about military and intelligence cooperation between South Africa and Russia started. If you look at the history of Russia and South Africa - well, first of all, Russia never had any African colonies. Russia extended a lot of help to African countries during its decolonizing project. And especially during the struggle against apartheid. Russia helped South Africa. So, I mean, those are sort of, um, You know, if you wanna talk about the embarrassment of the G7 struggling to move on from the status quo in the world, often when there has been no political support and no money for African countries, Russia and China were there. So for those reasons, I used to be very agnostic about Russia in South Africa and Africa - before Putin lost his mind, obviously.





**Jim O'Neill:** It is a historic relationship.

### **On the fanciful notion of de-dollarisation and a single BRICS currency**

**Desné Masie:** Yes, but it is a very dangerous situation now. Let's move on and talk about de-dollarization. And the idea of a BRICS currency. I've tucked in a question about the African Continental Free Trade Area. Which for me is really interesting because it seems to me the EU is kind of struggling to hold together with the war in Ukraine, I think it is debatable if the EU bloc will stay coherent. But can the idea of a single currency for the BRICS fly?

**Jim O'Neill:** Well, it is ridiculous. I've already said. China and India can't even really agree on basic things like a peaceful border. Yeah. I mean, how on earth can people seriously believe these guys are going to introduce a shared currency, I mean, who would run it? Would there be a BRICS central bank?

**Desné Masie:** And would it be pegged to the renminbi?

**Jim O'Neill:** It's amusing. Sorry. I just think it's fanciful. If you allow it, what is more feasible and more likely, is at some point in the future, the RMB, and possibly the rupee are going to be much more important currencies for the world. But the idea you have a shared BRICS currency, you know, this is just the kind of nonsense that they symbolically say because it just sounds good, you know. The dilemma for them is that people with experience and those that are usually looking at these issues are like, what are you actually talking about? How do you get a BRICS currency? How?

**Desné Masie:** There was a very long article in Foreign Policy magazine recently on de-dollarisation. One of the ideas floated there was "the bric". But maybe let's take a step back from the idea of a shared currency and talk about de-dollarization. What you're saying is in terms of de-dollarisation, the renminbi being the preferred global currency is a greater possibility. The rupee could become more prominent.

**Jim O'Neill:** I have published on this topic endlessly, and I have done so again recently. I'll say three



things. First of all, as experienced by the UK at some very unpredictable moments in time, if you are no longer the biggest economy in the world. Your currency stops being the most important. So if China ends up being a lot bigger than the US, then probably, the dollar won't be what it is today. But that's the reality of life. That's the first point. Second point, however, is, for 40 years, I've heard people say that the yen was going to take over, then the euro was going to take over. And now we have this thing about "the bric", but really, the RMB. And the reason why the yen never took over was because Japan didn't become that big. And the reason why the euro never took over was because the Europeans didn't want the responsibility that goes with being a reserve currency. And it's not obvious to me that China wants that responsibility. Certainly not now, and maybe not in the foreseeable future, because it is a responsibility.







**Desné Masie:** Are you saying that because of the balance of payments that the country has to maintain?

**Jim O'Neill:** Well, you've got to allow and encourage people anywhere in the world to hold their wealth with confidence in your currency. And not having any fear that something might happen that they don't expect. You've got to have some significant degree of transparency as well as liquidity. And I'm not sure the CCP is in the position to do that.

**Desné Masie:** Well, China's economic reporting, and the economic information it shares with "the market" is at the best of times, opaque.

**Jim O'Neill:** There are still significant controls on what Chinese individuals can do with their savings, so at some point that might change, but if it doesn't, then how can the RMB be this global reserve currency? How?



**Desné Masie:** I think what you are saying is really interesting in terms of being able to operate locally where your economy happens, because local currency bonds are a big issue in Africa. There is this massive need for infrastructure. A lot of it is negotiated by investment banks in US dollar. And then if you have a small, highly-volatile open economy, that can obviously create a lot of risk for you down the line.

**Jim O'Neill:** Intellectually, and again, this is something I've just written about recently, for many, many years, some leading Chinese scholars have argued that the SDR should become the world currency, and that would make the world a lot fairer because the dominance of the dollar is clearly problematical for the world cycle. Because effectively, every time the Fed decides to tighten up, it immediately puts pressure on many emerging economies because of the rising dollar and higher rates. And the other side of it, which people don't talk about, but is equally true, is when the Fed then suddenly decides to start cutting interest rates dramatically, the same thing is true in reverse. And so it's not, in my view, a permanent stable position for the world, and we probably need some different monetary system in the future, but the idea that one other currency is going to replace the dollar. I'm not sure that that would make it any better either, because then everybody becomes completely dependent on the monetary policy of China. And so why is it actually any better? Maybe better for China, but why is it any better for Africa?

### **On persistent high inflation and global macroeconomic risk**

**Desné Masie:** A question I had is, or a thought experiment rather, if we look at the path the global economy was on. Let's not say pre-covid. Because we had some projections about what the trajectory might have been, pre covid, so let's say post covid. If the war had not happened in Ukraine. Where do you think we would be? Now, I know this is a massively speculative sort of fool's-forecasting question...

**Jim O'Neill:** It is. So, my honest answer is: I have no idea. We would almost definitely have a much calmer financial market situation. Interest rates wouldn't have had the inflationary pressures, or not the



same scale, and therefore Western central banks wouldn't be raising interest rates so much. And so, a much more stable environment, I'd guess, but I don't know. I mean, there's always - things.

**Desné Masie:** Well I wanted to bring up inflation trends because I recently did a huge macro study on African economies. Because there is hardly any data on African economies, so I'm trying to build some data sets. And central banks there are actually quite used to a high-inflation-high-interest-rate environment, and were therefore much more agile than their developed market counterparts. I mean just look at the Bank of England, it still can't get to grips with a high inflationary environment. So I would be grateful if you could comment on the fact that we are now in this global high inflation environment. Can developed markets withstand the direction of travel? How are they going to get out of this? People are talking about a UK recession on the way.

**Jim O'Neill:** Listen, economics is a social science. We don't know the answers. So my answer is: I don't know. I really don't know. I hope so. But our central banks are being caught out. They've made some big mistakes. The core of it is too much groupthink. They persuaded themselves because inflation was so low for so long, it was always going to be so low. And with it, they pursued this so-called "QE" for far too long. In fact, not only has that had some impact on why inflation's picked up, but it's also caused damage, in terms of perceptions about wealth inequalities. Because while it was going on, we saw these enormous improvements in financial assets. So owners of financial assets got wealthier at the same time as people that had only income from jobs weren't getting any wage increases. So the central banks are guilty of being nowhere near as smart as they think they were, and they're trying to catch up. And so it is interesting that inflation has come down quite a bit in other countries. So you would assume eventually it's gonna come down here, but the evidence is very disappointing.

### **On Africa's dilemma amidst the geopolitics of energy and climate change**

**Desné Masie:** Yeah. I mean, I think if you're a Zimbabwe or a Uganda, you are used to, like, literally, your inflation rate is running at 20% all the time. You have to manage that on a continuous basis. So I think that's why people were more agile because it's like, you know, oh, we know this state of the world. But just to return to the thought experiment. So the conventional wisdom is we cannot say what would've happened in terms of the war right. How global conditions might have turned out had it not happened. But, I am not so sure, I think we could have. Because I am reading a lot about geopolitical risk in the global economy at the moment and quite a lot of it comes from energy predominantly, from energy security issues. Maybe I'm just being a devil's advocate here, but I was reading an EU Commission paper by Frans Timmermans the other day, that was also in Project Syndicate, where he was talking a lot about the geopolitics of climate change. And so my point here essentially is that the Russia situation has only emphasised how energy transition cuts across the BRICS as a grouping, and even as a general lens on emerging markets. So what does the move to clean energy mean for development and for the BRICS specifically? I mean, for China, I would, to me it seems like China's security strategy is renewables in a way.

**Jim O'Neill:** Again I would say there is a difference between the reality and the rhetoric. So it's amongst my other criticisms of the BRICS as a political group, they should be trying to seriously pursue an alternative energy strategy. China on its own, is. But from what I can see of South Africa is that it is so chaotic - is there any strategy about anything? And then, if you look at Russia, the last thing they want to do is to lose fossil fuels because that's where they get their financial income from. And there is an argument to be made. I digress. In 2008, I was invited by the Russians to do a special presentation for the famous St. Petersburg Summit. It's like the Russian Davos. And I did it for the whole audience, and it was about where Russia would be in 2020. And they were annoyed with what I said because I didn't assume that Russia would be in the top five economies of the world. Because I didn't assume that oil prices would keep rising. Yeah. And their reaction to what I said was very revealing and it made me think, hmm, if oil prices don't keep going





up, Putin's not going to be as popular as he is then. Because in the first part of the BRICS people thought Putin was an economic genius. But it was because oil prices went up for eight years. And then I thought how does he stay so popular? And the answer is, he becomes more and more nationalist. And I often think the reason why he does all these crazy things, is because it plays to the sense of Russian pride. But in the long term for Russia, it is ludicrous because one of the very interesting things that's happening, from what I can see, is there is an acceleration of energy efficiency and a move to alternatives in the west. Particularly in Europe. Who would've thought that we're sitting here talking and that European gas prices are significantly lower than they were a year ago. And that only can be because European businesses and consumers are using energy more efficiently and using alternatives. So, of course there should be a BRICS strategy on alternative energies, but where is it?

**Desné Masie:** What you've said now is really interesting because there's a lot of tension in Africa at the moment because obviously, the whole issue with the loss and damage fund, because African countries haven't, don't emit as much carbon. But at the same time, there have been a lot of significant hydrocarbon finds, across the continent. And some countries are expecting an oil and gas bonanza and the African Energy Chamber has been saying, that Europe shouldn't be, the west, shouldn't be, lecturing African countries now about renewables and green transition because these countries need to develop, they need to industrialise - it's not fair, and they deserve to have prosperity. So, I mean, **Jim O'Neill:** True, it is very difficult.

### On the resource curse, Nigeria and soft power

**Desné Masie:** But these oil and gas developments are happening from European companies, like the Totals and the Shells are actually developing those finds right? So I mean, is Africa on a hiding to nothing? Are they going to be sitting with stranded assets that they cannot sell in the global economy? **Jim O'Neill:** It's very difficult because I think African people are right to think we want the prosperity

that other nations have enjoyed, and so you want to develop what you've got. But there is something that I am sure you know, the commodities curse. And it's not entirely clear to me, but it's far from clear, that commodity producers are the most successful countries. I once had the privilege of meeting [Ariel] Sharon, the Israeli leader. And he said to me one of the most profound things I've ever heard a leader say. He said to me: "what do you think is the greatest strength we have in Israel? And he's quite an intimidating guy." he said "Nothing. We have no resources. So that has forced Israel to use their brain. And I think it's very, very profound. Yeah. If you look at the most successful countries in the world, with the exception of the US. South Korea? No commodities. Japan, no commodities. All of Scandinavia, Sweden, no commodities. So. African countries should, and it's easy for me to say, yeah, but it's the same issue that I say to the Brazilians in the Russians, you need to reduce your dependency on resources.

**Desné Masie:** It's so interesting you say this because I went to the Africa Debate two weeks ago where I ran into the head of the Africa Finance Corporation, who is Nigerian. And he said "I'm going to make Nigeria a trillion dollar economy" in the same breath as talking about fixing the fuel subsidies. And I said to him, you know, sure, the subsidies need fixing, but it is all legacy stuff, all this fuel stuff. It hasn't worked out for Nigeria. You've got all this FinTech. Nigerian culture...

**Jim O'Neill:** Yes, Nigeria is really an illustration of the commodities curse. I did this extremely fun radio documentary for the BBC about the so-called MINTs. I spent a week in Nigeria recording this documentary ... We had material to do three documentaries because Nigeria's such a crazy, fascinating place. But what is clear, is that it is one of the biggest examples on the planet of the commodities curse.

**Desné Masie:** Absolutely. The head of the AFC, said as an alternative to the oil sector, he was really excited about the technology sector, culture and music, all this great stuff in Nigeria. And we spoke about how Nigerian music is often the western entry point ... Davido sells out the O2. This could be really significant for Africa, I think. What made the great





American century? Their movies, their music ... which takes us to soft power, which I want to end off on, given you are such a well-known football fan. The UK seems to be in a state of decline on the global stage, economically and politically, but there's still quite a lot of soft power. And one of the UK's biggest assets is the English Football Premier League. There are loads of African football fans and many of them follow the prem, alongside fans worldwide. What do you think about the prem just as an asset and about what could the UK be doing, in terms of getting itself out there post-Brexit?

### On the decline of Brexit UK and the soft power of The English football Premier League

**Jim O'Neill:** The whole post-Brexit environment in the UK remains a nightmare. The country's elite is still frozen. What is very interesting now is that regular opinion polls show that in virtually every area that voted out. They regret it, but the Westminster Mile dare not, or even in the Labour opposition, dare not talk about just rejoining the single market. Second thing to say about it is that the UK has not really explored a true global strategy for Brexit because there's just endless denial going on, and it's really worrying because it's accelerating our decline because other people around the world think: "what is the matter with these stupid people?" So that is the reality. However, what have we got that our politicians can't screw up? We have our language. We have our time zone, which in this world of digital connectivity is hugely valuable. You know, I used to say many years ago that London is the BRICS capital of the world. Sometimes I jokingly say the biggest threat to London is if New York changed its timezone to be the same as ours. Because Beijing never has a working day open at the same time as New York. Yeah. Neither really does Dehli. But they and Rio de Janeiro all cross into London's time zones ... And that's relevant for the football because it's not the most unsociable time for people, particularly in Africa where it is a one or two hour time difference. Sometimes none. That's an important thing. I'll come back to football, but the other thing that we have got, at the moment, is 16 to 18 of the world's top 100 universities.



Recognized. Every year in independent surveys of the world's universities that's four times bigger than our share of global GDP ... And so, in addition to many other things, a sensible British government, if we have one, would be trying to do more linked to the strength of these universities. Which is something I'm heavily involved in. I'm the chair of something called Northern Gritstone, which is investing in startups coming out of northern universities. And these, these are, these are some of our few genuine, unique assets. On football. The Premier League is a remarkable success. Because football is the global sport. I'm an enormous Manchester United fan. I don't travel globally much anymore, but I've been fortunate enough to travel and whenever I get in a taxi and the cab driver goes, "where are you from, and I say Manchester, straightaway - "Manchester United".

**Desné Masie:** I think more than the commonwealth and royal family, football has more staying power.

**Jim O'Neill:** It is astonishing and I've witnessed it. I was fortunate to have been born in Manchester and I'm a big fan. ... I went to the World Cup in South Africa, Japan, South Korea, Brazil, and it is literally a sport that connects people from whatever colour or whatever political belief.





# The New Geopolitics: Time for Brics+

by Dr Desné Masie, chief economist, IC Intelligence

*This essay is based on a speech I gave for Addeshaw Goddard and Invest Africa on 1 March 2023 alongside senior representatives from the Africa Finance Corporation and the Private Infrastructure Development Group:*

This essay is based on a speech I gave for Addeshaw Goddard and Invest Africa on 1 March 2023 alongside senior representatives from the Africa Finance Corporation and the Private Infrastructure Development Group:

## Clustering macro-shocks in the global economy

The global picture now in the wake of Covid is a supply chain ecosystem still undergoing a stress test of these macro-megashocks: pandemic followed by War, pretty much similar conditions to that around the time of the Great Depression.

It will be some time before it will be clear how this will all play out. But it's extremely important to make some time to reflect on this against historical patterns or many nations will be navigating blindly and sleepwalk through what's coming. There may yet be more socio-political foment and geopolitical upheaval.

The shock of the Russia-Ukraine war is of course a globally significant conflict. This is not least because of the attention the "global" media puts on what is happening on its doorstep in Europe. Quite obviously this is a very worrying development, but I think if we look, as other commentators have said severally in other places, at the fact that there are many other conflicts taking place globally at the moment. Ethiopia, Yemen, and Sudan the east and Horn of Africa could soon be completely destabilised, and this will, in turn, affect migration patterns and stability in Europe and the Middle East. There are quite a few flashpoints, quite serious conflicts going on besides Ukraine.

[Anyway] The point is that there has been a series of quite large geopolitical shocks and I'm sorry to say I do worry it's going to escalate, and I worry it will escalate quite quickly. Unless some dramatic and pragmatic diplomatic intervention happens that is focused on peace in the international system.

If the conflict in Russia becomes intractable with no clear end game that will continue to put even more pressure on supply chains and therefore, on food prices and energy prices, which would be catastrophic as both look like they are about to come down. Inflation whether real, driven by fundamentals, or driven by greedflation and profiteering, has driven up wages and goodness knows where that is going to end.

When the war in Ukraine started over 400 days ago now what was immediately apparent was that African countries and Middle Eastern countries have not really been wanting to take sides in the Russia conflict. We had Dr Alex Vines, who heads up the Africa Programme at Chatham House, talk to us at IC Intelligence shortly after the war began - about how African countries see this all. For example voting on the Security Council and the fact that no African country has implemented sanctions against Russia.

Similarly not a single country in the Middle East has imposed sanctions nor a far eastern country with the exception of Japan, Australia, and New Zealand. China obviously is acting like some sort of Switzerland for the new world order but really playing for itself.

But seriously where are these sanctions meant to end? Do countries who are more sympathetic to Russia get isolated and sanctioned? What's the play?

Back in March at Addleshaw Goddard I predicted that South Africa would take sides with Russia and China in the event of World War three. Alongside emerging accusations from the US that South Africa has been supplying arms to Russia, what has been the arc in my thinking since then?

Certainly sanctions are a transatlantic and European issue, but continue to look out in the next 2 to 3 months for the extent to which China gets openly involved, and whether it will be emboldened by South Africa's position, to provide live munitions to Russia and fight alongside it? Who else could join sides in the event of such a terrifying escalation? North Korea, Iran and Syria certainly, and perhaps the Middle East



(bar Saudi Arabia?) - the invitation of Assad to the Cop28 from the UAE certainly signals the Emirati are prepared to make up their own minds. Those are a lot of petrodollars that could swing Russia's way. Do we even know what MBS is thinking? Many leaders I think in The Middle East and Global South will wait and see which way the wind blows.

It's a free for all now - the old allegiances have atomised.

With these quite bold new potential global alliances beginning to form and then at that point, could it escalate into a global conflict? It certainly seems to be approaching Cold War 2.0, hopefully it won't turn into a hot war.

### Decolonising international relations

In that case, South Africa will absolutely join up with Russia and China instead of with the UK as it might have done in World War II when it was still a colony of the United Kingdom. As I discuss with Lord O'Neill above, we should not underestimate the loyalties formed between Africa, Russia and China during Africa's decolonising project, and that is a de facto decolonisation of international relations.

I said in March that I really did hope I was wrong in those potential scenario predictions. I hope I'm wrong about World War 3. But I do not think I am wrong about this reconfiguration of allies.

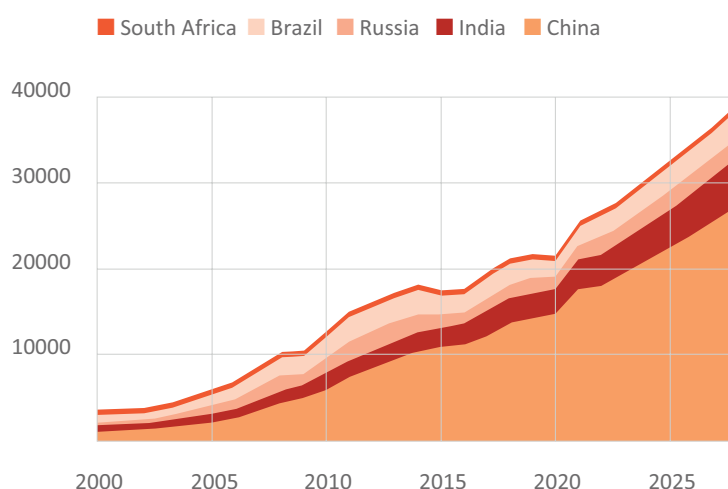
I don't think it's just this one outcome. But I think what we will see is a set of unfortunate outcomes for global peace and prosperity. There will be some winners, sure, but they will be warlords and perhaps billionaires, who are, say, in control of a fleet of satellite drones that can provide internet access and facilitate cyber warfare with killer robots stockpiled in far-flung hangars.

So these are just a few of the horrendous things I believe may occur if diplomatic measures fail, and they do seem to not be working out very well.

Moving all the little bits around are going to be a pain, to come to some sort of agreement where everyone is happy and then if we manage to swerve the nuclear warheads haunting our dreams, there is the spectre of climate change - driving temperatures to 50 and 60°C in India, Saudi and Australia, and even Europe.

**Figure 2: BRICS GDP, current price, \$bn**

Source: IC Intelligence, L Komminoth



### The geopolitics of energy and climate change

I don't need to tell you about how energy companies have experienced windfalls in Europe as a result of the war in Ukraine, that will not play out well amidst rising inequality. But the oil companies profits have only highlighted how much of geopolitics is predicated on energy, and therefore, climate change.

But it is worth noting here that not all European countries have been in favour of the sanctions either. Partly because of the Nordstream 2 pipeline and the dependency on Russia for energy. But Austria, Germany and Hungary have not been so sure that they would like to see sanctions on Russia, with Germany only recently being dragged into the fragile NATO consensus.

But, in my view, I think politics is going to be massively interesting. You will recall that you know the colonial history of Africa and Russia. Russia extended considerable help to some African countries such as Angola and South Africa. During the decolonial project. It was particularly supportive of South African freedom fighters in exile during the struggle against apartheid.

In my talk in March I mentioned that it would be interesting to see what happens if Putin asks for help from South Africa or the continent at large. I think given recent accusations from the US that South Africa has supplied arms to Russia, this is not so far-fetched. Alec Russell in the FT does not think the African "peace





keeping mission” will be that historically significant. I beg to differ. From the African experience you take help where it is given and this is why Russia has been accepting support from nations on the fringes of the international system such as Iran, Syria and North Korea. But now I digress.

I started with Covid because I keep having this thought experiment, where I wonder what the global economy would have been had covid not happened, and what the geopolitical economy would have been had Russia not invaded Ukraine.

Russian engagement in Africa prior to the conflict in Ukraine the day and the Covid pandemic was the beginning of a charm offensive towards Africa on the global market courting suitors.

The 2019 Russia-Africa summit in Sochi took place before lockdown, and we would’ve seen more of this “scramble for Africa” continuing that I wrote about in 2019. The main trading partners for Africa remain the EU as a bloc, the UK within the mix of capital, and the US as well quite a big trade and aid partner. And while China is quite significant, trade with Russia is much lower. [See Figure 3] With increasing South-South cooperation now, what will also be very interesting is how Europe’s current preoccupation

with its own problems will affect capital-raising activities and trade flows as countries become more protectionist and inward looking to the bloc.

In Q4 of 2022 a lot of chief economists at asset managers were talking up a theory of “deglobalisation” and this is slowly unfurling, maybe not for the reasons we thought then, we may not see geopolitical stratification happening in quite the way “the west” imagines it. There is much more to globalisation than the Global North’s hegemony.

But unfortunately, if you are tired of shocks, I do not have good news for you.

This war is yet to play out and I am afraid it will only escalate because of grandstanding by the likes of Sunak, Macron and Biden, and the seeming reluctance of Zelenskyy to explore negotiating or diplomatic strategies. But can one negotiate with Putin? And, if he is weakened, is it worth Zelenskyy taking a gamble on a coup within the Kremlin? Many analysts say Russia will still be vengeful should Putin fall on his sword.

But war and crisis are good for economics and opportunity. Just ask Winston Churchill. Or Paul Krugman. Add a pandemic to that, and you’re golden.

This may all be so but the headline geopolitical risk prior to the conflict and the profiteering happening now from oil companies and supermarkets was climate change.

Covid and Ukraine has seen a lot of backtracking on some of the commitments that were made for climate action at Cop 26 and Cop 27. This will only continue into COP28 as the oil sector hijacks the discourse of the “just transition” from activists.

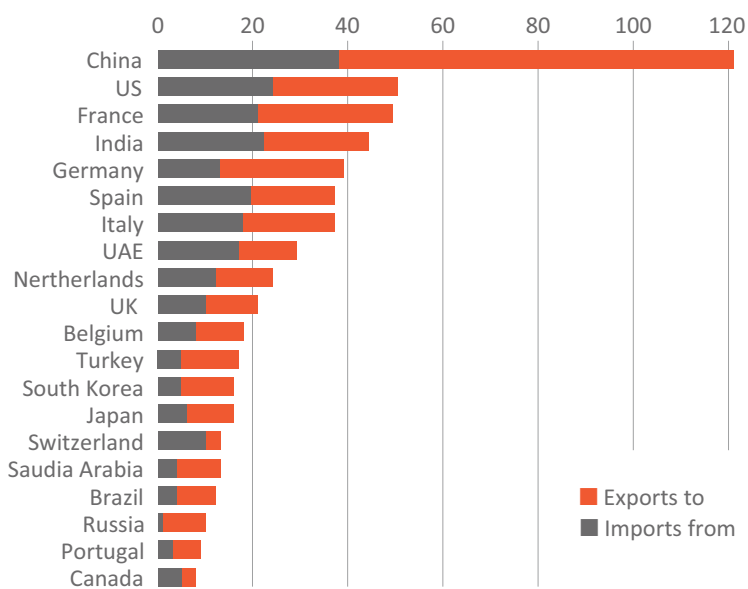
But the climate crisis is escalating apace. As mentioned above, 2022 was breaking record for high temperatures, and it looks like we are on course for another record year for temperatures as well as extreme events like wildfires flooding in places as far apart as South Africa, US, UK, Italy and Australia. Literally, across the world.

Renewables may seem expensive in the short term, particularly in the context of the war in Ukraine. But the thing is in the medium-term we will see energy prices decelerate at speed.

We have the UAE asking where is green demand - well it is everywhere where people need energy, and the planet simply cannot, from an environmental

**Figure 3: Africa’s main trade partners, 2020 (US\$bn)**

Source: EIU





perspective, afford not to put it towards renewables. There is all this talk about getting African countries to capitalise on the recent hydrocarbon finds, but dig deeper and these are being talked up by European oil companies.

Again I worry that this may not be the best route for these countries to take, as much as they need to industrialise and be paid reparations. We may yet see African countries sitting with stranded assets on the balance sheet. There are all these perennially sunny countries on the continent. Why not invest in solar? When thinking of renewables vs hydrocarbons these kinds of projects, we don't even need to take a long-term view. We will see rapid escalation of the climate situation that will make

the planet so uninhabitable that World War 3 over some megalomaniac quest to revive the Russian Empire will be the least of our concerns in less than 3 years. This is not the first time I have written: net zero, now.

Frans Timmermans, European Commission First President for the European Green Deal and former Minister for Foreign Affairs of the Netherlands wrote a striking piece on the geopolitics of climate change in April 2021 for Project Syndicate. Timmermans explains that the EU Green deal aims to substantially recalibrate these pressure points. Its green deal will not only address carbon emission and climate change with an ambitious plan to reduce emissions by 55% by 2030 and total neutrality by 2050 but also, in so doing, be calm the geopolitical flash points that discussed above.

*“By tackling the climate and biodiversity crises, everyone will be better off, thanks to better jobs, cleaner air and water, fewer pandemics, and improved health and well-being. But, as with any broad transition, the coming changes will upset some and benefit others, creating tensions within and between countries. As we accelerate the transition from a hydrocarbon-based economy to a sustainable one based on renewable energy, we cannot be blind to these geopolitical effects. In particular, the transition itself will drive power shifts away from those controlling and exporting fossil fuels, and toward those mastering the green technologies of the future.*

*For example, phasing out fossil fuels will significantly improve the EU's strategic position, not least by reducing its reliance on energy imports. In 2019, 87% of our oil and 74% of our gas came from abroad, requiring us to import more than €320 billion (\$386 billion) worth of fossil-fuel products that year.*

*Moreover, with the green transition, the old strategic choke points – starting with the Strait of Hormuz – will become less relevant, and thus less dangerous. These seaborne passages have preoccupied military strategists for decades. But as the oil age passes, they will be less subject to competition for access and control by regional and global powers. Phasing out energy imports will also help to reduce the income and geopolitical power of countries like Russia, which currently relies heavily on the EU market.*

*Of course, the loss of this key source of Russian revenue could lead to instability in the near term, particularly if the Kremlin sees it as an invitation to adventurism. In the long term, though, a world run on clean energy could also be a world of cleaner government, because traditional fossil-fuel exporters will need to diversify their economies and free themselves from the “oil curse” and the corruption it so often fosters.*

*At the same time, however, the green transition itself will require scarce raw materials, some of which are concentrated in countries that have already shown a willingness to use natural resources as foreign-policy tools. This growing vulnerability will need to be addressed in two ways: by recycling more of these key resources, and by forging broader alliances with exporting countries. Though the green transition will bring about more sustainable and resilient economies, it will not automatically usher in a world with less conflict or geopolitical competition. The EU, harbouring no illusions, will need to analyse the impact of its policies across different regions, recognizing the likely consequences and planning for the foreseeable risks.”*

**Frans Timmermans, VP EU Commission**

The analysis by Timmermans above was prescient, and the war in Ukraine shouldn't distract Africans from energy and climate change: the contested site of the new geopolitics in the age of the BRICS+ .

**CONTACT: Dr Desné Masie, Chief Strategist, IC Intelligence: [d.masie@icpublications.com](mailto:d.masie@icpublications.com)**



[www.icintelligence.co.uk](http://www.icintelligence.co.uk)