

THE DYNAMICS OF BRICS IN INTERNATIONAL ECONOMIC RELATIONS

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Abstract

The BRICS countries, which originate from Asia, Africa, Eastern Europe and Latin America have emerged as a significant platform for cooperation among rising markets and most rapidly growing economies of the world. They are all members of the G20. They represent 26.46 percent of global geographical area, 42.5 percent of global population, 13.24 percent of World Bank voting power, and 14.91 percent of IMF quota shares, respectively. Brazil, Russia, India, China, and South Africa (BRICS) as members are quickly altering their roles as new actors in international development cooperation. Growing economic interdependence among countries is another aspect that contributes to peace and prosperity since it is built on shared interests. This paper, examines the dynamics of BRICS in international economic relations and analyses inter-regionalism on the assumption that the post-liberalized international order has embraced new aspects of regionalism, with the notion of "trade generating geography or space" becoming increasingly important. With the aid of secondary instrument of data collection, the paper discovers that development cooperation is mostly focused on neighboring nations, regional integration, and technical aid. Economic growth is seen as essential for long-term development, with non-interference and national sovereignty serving as guiding principle. The BRICS countries determine the integration of economic processes within the framework of financial, investment, and trade collaboration of countries with fast-growing economies not only allows for the effective use of global competitive advantages, stimulating the synergetic effect of regional economic growth with the transformation of the world's geo-economic structure as a whole, but also allows for the effective use of global competitive advantages, stimulating the synergetic effect of regional economic growth with the transformation of the world's geo-economic structure as a whole. The paper recommends that issues such as inflation, interest rate, human capital, technological development and many more factors that impede the performance of the BRICS should be re-examined and dealt with for more efficiency and further development.

Keywords: BRICS; Africa; Asia; Europe; Latin America; Growing Economies

Introduction

BRICS stands for Brazil, Russia, India, China, and South Africa, a formidable alliance of the world's largest emerging market. Peace, security, development and collaboration are all goals of the BRICS system. It also aspires to make a substantial contribution to humanity's progress and the creation of a more equal and fairer world (O'Neill, 2001). In Yekateringburg, Russia, the inaugural BRIC Summit was held, during which the four nations' elected presidents publicly proclaimed their participation in the BRIC economic bloc. In December 2010, South Africa was asked to join the group, culminating in the formation of BRICS. Since its establishment, BRICS has had a positive impact on the world order. (Maphumulo, 2019). Since its establishment, BRICS has had a positive impact on the world order. Individually, the BRICS countries have risen to unprecedented economic heights. In 2010, China overtook Japan as the world's second-largest economy. In nominal terms, India is the tenth-largest economy, while in terms of GDP at Purchasing Power Parity, it is the fourth-largest (PPP) (Friedberg, 2005). Brazil became the world's sixth-largest economy in 2011, Russia is now the world's ninth-largest economy, and South Africa is the world's 26th-largest economy. In international organizations, such as the United Nations, the BRICS nations coordinate their stances and activities (Suvorova, 2019).

Many nations across the globe are looking up to BRICS members as new motors for global economic growth to offer renewed momentum to global economic cooperation in the midst of the current global economic crisis. For example, in the aftermath of the global financial crisis, BRICS trade and investment with low-income nations acted as a key support mechanism (International Monetary Fund, 2018). James O'Neill, a well-known analyst in the field of global economic research at the prominent US investment firm Goldman Sachs, used the acronym BRIC (Brazil, Russia, India, and China) to group the world's greatest developing economies. In 2001, O'Neill published an essay titled "Building Better Global Economic BRICs," in which he proposed the abbreviation BRIC (based on the English term "brick" - brick). Following the logic

of the acronym, Kazakhstan, which has a large development potential, may join the BRICs as a new member to "complete the image (O'Neill, 2001).

BRICS has undergone continual alteration during its years of existence and development. However, we must stress the significance of this format's creation: the consolidation of nations that top analysts predict will become the world's most powerful economies in the twenty-first century. This also contributes to a better understanding of the BRICS' important position in global processes of constructing a new world order through the concerted efforts of international actors. Such a framework serves as a 'architect of globalization,' laying the groundwork for a new global structure built of 'bricks,' the strength of which will be determined by how long our shared planetary home will last (Held, McGrew, Goldblatt, & Perraton, 1999).

1.1 Conceptual Clarification

BRICS: BRICS is an acronym for the powerful grouping of the world's leading emerging market economies, namely Brazil, Russia, India, China and South Africa. The BRICS mechanism aims to promote peace, security, development and cooperation. BRICS countries have individually emerged to assume new economic rankings.

Intercontinental: Between or among continents; involving two or more continents: intercontinental trade. traveling or capable of traveling between continents: intercontinental airplanes.

International Integration: International integration is a process by which countries remove the barriers to free trade and the free movement of people across national borders, with the goal of reducing the tensions that can lead to international conflict.

Economic Integration: Economic integration is an arrangement among nations that typically includes the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. Economic integration is sometimes referred to as regional integration as it often occurs among neighboring nations.

Globalization: Globalization is the process of continuing integration of the countries in the world. It is strongly underway in all parts of the globe. It is a complex interconnection between

capitalism and democracy, which involves positive and negative features, that both empowers and disempowers individuals and groups. In economic terms, it describes an interdependence of nations around the globe fostered through free trade.

1.2 Research Problem

The BRICS have a challenge in developing a new global governance paradigm that is not unipolar but rather unified and productive. As a result, the BRICS structure cannot function according to the logic of developing-world isolation from developed-world Western nations. The BRICS' power and civilizational purpose derive from its ability to elevate global efforts to a new level of "strong wave" of fast rising economies (Baldwin, 2006). In the face of globalization, civilization is discovering a new experience in the BRICS framework: collective leadership. Previous growth paradigms, such as credit-fueled investment in China, are beginning to show signs of fatigue. China's overall loan to GDP ratio increased to 282 percent in 2014 from 158 percent in 2007, and state-owned businesses, who are the top borrowers alongside local governments, have seen their productivity decline (Kurt & Kurt, 2015).

Since 2008, a big portion of China's significant credit expansion has been dedicated to the financing of a building boom. In South Africa, complicated labor relations are one of the major roadblocks to development. Prolonged strikes and real wages that are unrelated to worker productivity have a detrimental impact on the economy, resulting in high unemployment rates, past growth methods, such as credit-fueled investment in China, are exhibiting signs of fatigue. China's total loan to GDP ratio increased to 282 percent in 2014 from 158 percent in 2007, and state-owned businesses' productivity, which is the largest borrower alongside local governments, has been falling (World, 2019).

Since 2008, a big share of China's significant credit expansion has been dedicated to the funding of a building boom. In South Africa, complicated labor relations are one of the biggest roadblocks to development. Prolonged strikes and real wages that are divorced from worker productivity have severe economic consequences, such as the continuation of high unemployment rates (Cotula, Verneulen, Leonard, & Keeley, 2009).

2.0 Literature Review

BRICS started in 2001 as BRIC, an acronym coined by **Goldman Sachs** for Brazil, Russia, India, and China. South Africa was added in 2010. The notion behind the coinage was that the nations' economies would come to collectively dominate global growth by 2050 and also underline the unique significance of key developing economies (BRIC). At the regional and international level, the BRICS (Brazil, Russia, India, China, and South Africa) are the most powerful developing economies and political forces. It was claimed that BRIC's growing importance should be reflected in their admission into the G7 (O'Neill & Stupnytska, 2009). High growth rates, economic potential, and demographic development were cited as reasons for BRIC's rising prominence.

The four nations began meeting as a group in 2006, but it wasn't until 2010 that South Africa was asked to join the organization, which was then known as BRICS. BRICS economies have a significant impact on global growth, particularly in low-income countries, due to their geographic and demographic dimensions² (LIC). In the present financial crisis, they are fostering trade and investment stability while also cushioning global recession. (International Monetary Fund, 2018) Not just in terms of trade and financial flows, but also as emerging contributors, the BRICS are creating changes in the architecture of international development cooperation. Overall, it is difficult to come up with precise criteria of economic features and performance in order to define groupings of nations. Not just the BRICS, but also other nations such as CIVETS³ and the "next eleven"⁴ are boldly disrupting conventional donor-recipient relationships. Mexico, Indonesia, Argentina, Turkey, Saudi Arabia, and other countries are now part of new global development institutions, such as the G20 (Francois, 2001). Emerging donors have given a total of USD 87.1 million to the United Nations World Food Program and USD 90.6 million to UN Emergency Response Funds (ERFs) in 2010.

The problems that each group may encounter are likely to be extremely diverse. Despite the importance of these considerations, this analysis concentrates on BRICS-LICs due to space constraints (The New Development Bank, 2019).

BRIC has solidified and even increased its strong position in the global economy during the previous ten years. The BRICs' share of global Gross National Income (GNI – in Purchasing Power Parity / PPP) demonstrates that, in particular, China, India, and other MICs are growing

their share – at the cost of OECD (Organization for Economic Cooperation and Development) nations – and will continue to do so. Brazil's share is expected to drop in the future, but Russia's is expected to remain steady. BRIC countries have a critical, if not systemic, role in global economy (UNCTAD, 2010). Some of the major variables about the BRICS that should be noted in this study are as follows (Polgreen, 2013):

- i. BRICS countries have increased their share of global GDP threefold in the past 15 years.
- ii. BRICS' share of global output will increase from 18% (according to market exchange rates), to 25% to 26% over the next 10 years and even to one-third by 2030.
- iii. In PPP terms, it is about 30% of world's GDP at the moment. By 2020, it will be 37% to 38% and increasing to as much as 45% by about 2030.
- iv. In 2011, the BRICS' share of GDP, based on PPP amounted to about 20 % and 25% (estimated at US\$13, 7 trillion).
- v. BRICS countries occupy 30% of the global territory.
- vi. They are home to 45% of the world's population.
- vii. The contribution to global economic growth over the last decade has reached 50%, which makes this group of states the leading power in global economic development.
- viii. BRICS accounted for approximately 11% of global annual foreign direct investment (FDI) flows in 2012 (US\$465 billion).
- ix. BRICS account for 17% of world trade.
- x. BRICS' combined foreign reserves are estimated at US\$4 trillion.
- xi. Some analysts predict that BRICS could become as big as the Group of 7 (the United States of America [USA], Japan, Germany, France, Britain, Canada and Italy) by 2027.
- xii. South Africa has a population of more than 50 million and an economy worth approximately US\$527 billion. Its per capita income level at PPP compares favourably

with BRICS partners, estimated at US\$11 000 (after the Russian Federation at US\$16 700 and Brazil at US\$11 845) (Polgreen, 2013).

A number of other rising economies are exhibiting one or more of these traits. In this perspective, Goldman Sachs has highlighted the "next eleven" countries (Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey, and Vietnam) that have strengthened their economic positions in comparable ways (Stupnytska , Wilson, Burgi, & Carlson, 2011). Some of the trending issues in the world that influence economic growth or backwardness can be seen as follows:

- i. The breakdown of regional order in the Middle East and the global expansion of terrorism. The Middle East order is also disintegrating and will be difficult to restore, thanks to the ongoing Israeli-Palestinian conflict, instability in Iraq and Syria, and the growth of ISIS (a group outlawed in Russia). In the long run, there is no obvious future (Stuenkel, 2016).
- ii. European countries are experiencing difficulties as a result of their internal and foreign policies. Europe has been a vocal supporter of the Arab Spring, but it is now engulfed in the refugee issue. Furthermore the Muslim population in Europe is rising, and Europe has suddenly become the most vulnerable location for terrorist strikes, further complicating the economic recovery and posing a threat to the European social system (Tan, 2019).
- iii. The global economic slump persists, with no clear path to recovery in sight. This recession has extended from established to emerging countries, causing a slew of societal upheavals in the process. There is no way to stop the world's rising turmoil in the future.
- iv. The world order strategies of big nations are diverging. In contrast to Japan and other Asian countries, the United States has discovered that Europe is not the best partner. The European countries lack the will or capability to follow the United States, which, in turn, appears to have lost its grand plan at this time (World Bank, 2019).
- v. In the current scenario, BRICS is approaching a tipping point. BRICS is no longer a group in the traditional sense, and its identity and goals must be redefined.

On the surface, the five BRICS countries appear to have nothing in common as a global organization. They are fundamentally distinct, and this reality must be considered before

attempting to converge. The five nations reflect a wide range of political systems: China is a one-party state; Russia's government is highly centralized; and Brazil, India, and South Africa are democratic countries with substantial degrees of corruption and/or ethnic unrest. They have also achieved various stages of economic growth; as a result, China outperforms the group in terms of economic development, including trade (G20, 2016). The member states also differ in terms of available resources, absolute consumption, and energy intensity, as well as demographic trends. Brazil is primarily urban, but India is still essentially rural. Russia's population is aging, but India's is very youthful. Nonetheless, the five countries will make a significant contribution to the expansion of the global middle class. Within the present global order, BRICS members have basically distinct positions. As a result, whereas Russia and China are established global powers with permanent membership on the UN Security Council, India, Brazil, and South Africa are just aspiring to global influence and are now classified as regional powers (Ajakaiye, Francis , & Raphael , 2009).

A certain degree of geopolitical difference on a variety of topics is unsurprising given differing power and national interests. As a result, the BRICS members' wide commitment to the concept of non-interference has not translated into a unified stance on many international problems. Russia and China, for example, reject foreign engagement in Syria. Brazil and India, on the other hand, have adopted a more nuanced approach, voting to condemn the Syrian government's brutal crackdown on demonstrators. In certain areas, the BRICS have abundant natural resources, while in others, resources are scarce (Schirm, 2002). Taken together, these considerations highlight the need of a long-term, inclusive economic path that must be achieved via concerted efforts on both the domestic and international fronts. Globalization and climate change are two variables that are particularly relevant in this context. Indeed, dealing successfully with both tendencies in the context of wider developmental difficulties would need sufficient and long-term solutions. The United Nations Framework Convention on Climate Change hosts the Conference of Parties Summits (UNFCCC), Trends may be seen that indicate to the need to rethink international frameworks for climate change, sustainable development, and equitable growth coordination and collaboration (UNCTADSTAT, 2019).

In reality, every BRICS member must work together both inside the BRICS framework and in international fora to better define the basic present requirements for domestic socio-economic changes. These methods will assist you in dealing effectively with the important interaction mentioned above. As a result, rather than being an afterthought, equality must be at the heart of every new framework for change. It is impossible for any country to remain isolated in an increasingly globalized world (Hertel Thomas, 1997). Some events have cross-border ramifications, as witnessed recently in Libya and Syria. The BRICS countries are united in their fear of interventionist or hegemonic inclinations. The complexity of politics is exacerbated by the emergence of significant non-state players that pose a danger to world security. BRICS nations must position themselves as anchors of political debates at global high-level gatherings as a variety of organizations, groups, and even individuals begin to have a big effect on the globe (Walmsley, 2008).

The active engagement of BRICS' five members in international organizations adds to the group's political prominence (including the UN, WTO, IMF and the World Bank), in Europe, Asia, Africa, and Latin America, informal groups (such as the Non-Aligned Movement, Group of 77, G20, and APEC) and regional organizations (Cui, Jie , & Hao , 2016)As a result, there are objective chances for 'co-participation' with other nations in establishing a just international order and exercising systemic influence for setting the agenda on a wide variety of topics from global to regional, well-established to emerging. The BRICS nations should provide emerging countries a credible leadership option (BRICS Industry, 2015). To progress toward a more meaningful role in world affairs and a more active role in conflict resolution, the BRICS should establish a platform for appropriate policies and response mechanisms to address local, regional, and international political and social turbulence, such as the so-called "Arab Spring." While the emerging multi-polar world may pit developing and 'Western' countries against one another, BRICS members have no plans to lead an opposing coalition. BRICS stands for a collaborative desire to influence and control global political and economic governance structures so that they reflect demographic and economic realities (BRICS Industry Ministers, 2018).

1.0 Theoretical Framework

The most important feature of modern international relations is globalization. However, there is a growing trend toward regionalism and bloc formation. The influence of globalization on impact of intercontinentalism of the nation state, the growth of regionalism, and the problems generated by growing demands for devolution at the subnational level are all examined in this research (Falk, Söderbaum, & Shaw, 2003). While regionalism guards against the worst impacts of globalization and unifies countries, it also fosters subnational movements, raising the hazards of national division, according to an assessment of regional integration.

However, the alternative to globalization as tempered by regionalism and devolution is either unrestricted 'global neoclassicism' or feuding trading blocs, both of which entail increased marginalization for the poor world as well as particular economic sectors and social groupings in wealthy nations (Schirm, Globalization and the New Regionalism, 2002). Despite globalization, basic correlations show that the co-movement between the BRICS business cycles and the world economy is limited, with the group's business cycles being significantly greater. The BRICS countries are open to international commodities and services trade. With the exception of Brazil, the trade flows to GDP ratio is about 54 percent for the five major developed economies (the United States, Japan, Germany, the United Kingdom, and France) (Schulz, Inotai, & Sunkel, 2001).

Brazil is an exception among the BRICS, as it has one of the world's most closed economies, owing to the import substitution policies of the 1950s. Brazil's trade flows of commodities and services account for just 28% of its GDP, the lowest in Latin America. This distortion is reflected in the lack of major engagement of Brazilian firms in the global value chain (BRAZIL, 2008 2-4 September). Brazil's manufacturing industry is vertically integrated, contributing more than 80% of the value of manufactured goods exported domestically, far more than other rising countries such as China, India, South Korea, South Africa, Chile, and Mexico. China, on the other hand, generates around half of its exports by recycling imported goods, demonstrating the manufacturing industry's active participation in the global supply chain as a source of productivity development (Schulz, Söderbaum, & Öjendal, Regionalization in a Globalizing World. A Comparative Perspective on Forms, Actors and Processes, 2001). Intragroup trading is on the rise. Despite this, trade is mostly unidirectional, going primarily between each of the other

BRICS and China, with little between the non-China BRICS. The BRICS (Brazil, Russia, India, China, and South Africa). The Chinese market is the primary destination for exports from Brazil, India, Russia, and South Africa. When it comes to global commerce, China is the largest market for Brazilian, Russian, and South African goods, as well as the third largest market for Indian exports.

More than 90 percent of Brazilian exports to China are commodities. 80 percent of total exports are soybeans, iron ore, oil, and pulp. China exports manufactured goods to Brazil, including capital goods (50 percent), (Strategy, 2019) chemicals, plastics, consumer durables, and other items. Brazil, India, and South Africa are net capital importers, whereas China and Russia are net capital exporters. Through portfolio and foreign direct investment (FDI) flows, the BRICS are linked to global financial markets. From 2000 to 2012, FDI inflows into the BRICS more than quadrupled, reaching US\$ 263 billion. As a result, the BRICS' share of global FDI increased to 20% in 2012, up from 6% in 2002. At the same time, the BRICS became into significant worldwide investors. From US\$ 7 billion in 2000, or 1% of total FDI, their FDI outflows to the rest of the globe grew to US\$ 126 billion, or 9% of total FDI. China and Russia, as predicted, account for the majority of BRICS FDI outflows, with 54 percent and 40 percent, respectively. Rather than accumulating government reserves, China is increasingly recycling its large current account surpluses through outbound private sector investment. Chinese FDI outflows totaled US\$ 581.3 billion between 2005 and 2014, according to China's Ministry of Commerce. Annual flows increased to US\$ 98.0 billion in 2014 from US\$ 12.3 billion in 2005, indicating rapid growth.

Despite the US government's prohibition on certain acquisitions, the US economy is the primary recipient of Chinese FDI. However, it only accounts for 13.9 percent of China's overall FDI. Natural resource-rich nations account for seven of the top 10 recipients of Chinese foreign investments: Australia, Canada, Brazil, Russia, Kazakhstan, Peru, and Indonesia. Chinese investments have lately diversified into banking, real estate, manufacturing, and telecommunications, and private sector businesses are gaining clout as global investors. Because China lacks a substantial natural resources endowment, the mining and metals business is one of the most attractive investment opportunities. The total flows from 2005 to 2014 are projected to

have totaled US\$ 103.0 billion³³. Australia received 25% of the total, high-risk economies received 25%, while Brazil, Russia, and South Africa received less than 10%³⁴. The allocation of 14 percent of its foreign investments to mining and metals in high-risk nations is consistent with China's international loan distribution. The goal appears to be to bridge the gap in economies that do not have access to global financial markets in exchange for the assurance of industrial raw materials and building contracts (The BRICS Contingent Reserve Pool may be tested, 2018).

Outflows of Indian FDI to the other BRICS countries account for roughly 3.2 percent of total FDI in India, 2.2 percent in China, and barely 0.3 percent in Brazil and Russia.

According to estimates from the Conselho Empresarial Brazil China, the stock of Chinese capital invested in Brazil is around US\$ 20 billion, a small amount considering the size of the Brazilian economy and the stock of foreign direct investment in the country, which was US\$ 705.9 billion in 2013, according to the Central Bank of Brazil (BRIC, 2019).

2.0 Findings, Conclusion & Recommendations

It is pertinent to note that the BRICS and other international institutions have been reviving traditional knowledge systems and practices which may aid in the development of member states as well as the world system. Members of BRICS have also adopted Institutional flexibility in policy and operational framework to adapt to the dynamics of time and global economic challenges. Members and other institutions involve in sharing developmental knowledge and experience that can benefit the member-states as well as their regional economic groupings for sustainable development. Members have also upheld the dynamics of sharing technologies and innovations for the betterment of the BRICS system with other institutional partners. The BRICS also uphold relevant and bias-free benchmarks for quality of operations and development. They also develop and maintain regional frameworks for regional sustainability and development (BRICS, 2017).

The BRICS countries determine the integration of economic processes within the framework of financial, investment, and trade collaboration of countries with fast-growing economies not only allows for the effective use of global competitive advantages, stimulating the synergetic effect of regional economic growth with the transformation of the world's geo-economic structure as a whole, but also allows for the effective use of global competitive advantages, stimulating the synergetic effect of regional economic growth with the transformation of the world's geo-economic structure as a whole.

This allows for a rethinking of the current global economic structure in order to adjust it in favor of emerging and developing economies in order to harmonize and balance the conditions for economic functioning, as well as to reflect the structure of the real distribution of forces in geo-economic space.

BRICS are not a homogenous grouping in general. Their economic and political clout in international development politics and policy must not be overlooked. The BRICS are part of a prominent group of developing economies that are altering the landscape of traditional development assistance, or are already doing so. Because of their diversity, development collaborations with the BRICS as a whole appear to be more difficult and less appealing. China and Russia, in particular, are distinct one is the next superpower, while the other is a past superpower – and require unique approaches. Agreements with India, Brazil, and South Africa, on the other hand, are more likely to be implemented. In its Summits, BRICS emphasizes the international institutions' lack of legitimacy and the need for change. BRICS integration is and will remain gradual but methodical, with defined policies or action plans governing collaboration in a variety of fields. Other more mature international governance structures, such as the G7 or even the G20, have grown over time as well; there is no reason to believe the BRICS will move any quicker or integrate any deeper. To draw conclusions, a rigorous and empirically-driven review of the BRICS' promises and demonstrable achievements is required at every leaders', ministerial, or expert conference as the areas for partnership increase. Industrial development has the potential to make significant progress in the future. It underlines its relevance and function in a new global economic governance based on democratization of international relations and fair involvement of rising and developing nations. The increasing performance disparity amongst

BRICS nations is confirmed in this research. This rift might be a big stumbling block, as it exacerbates the group's disparities in interests and skills (Degaut and Meachan, 2015). While addressing productive and technical skill gaps would help BRICS integration, identifying this problem has been notably missing from policy papers regulating the integration process. The BRICS appear to recognize the need of forming a powerful group. Those who deny the potential of deeper cooperation between these countries should keep in mind that the BRICS is mostly an informal partnership.

China, the most developed of the BRICS, is ready to take advantage of the current juncture to explore new growth routes, gradually changing from a mindset of catching up based on labor-cost advantages to one of profiting on its expanding role as a global technological and manufacturing powerhouse (Li, 2017; The Economist, 2015). The consequences for both rich and developing nations' future industrial dynamics might be considerable.

The recommendation of this study is confined to a few elements of the BRICS group's competitiveness. For a more meaningful conclusion regarding the effectiveness of the BRICS partnership, many other characteristics as inflation, interest rate, human capital, technological development, and many more factors that embed into the performance of the economies must be examined. Finally, and perhaps most significantly, the BRICS experience teaches us that catching up necessitates active industrial policies to support the development of absorptive technical and productive capacities. As a result, we should wait longer and use a more complex panel lapse framework to improve the validity and importance of this type of study.

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