

**THE RISE OF BRICS ECONOMIES: THE NEW GLOBALIZATION****Y Venkateswara Rao**Assistant Professor, Department of Management Studies, Sree Vahini Institute of Science and Technology,
Tiruvuru, Krishna Dt, A.P.**Abstract:**

Unity is strength. Economic power is a source of strength as well. The world experienced bi-polar influence and later uni-polar influence till the emergence of third world countries as economic power houses. After the Second World War, many nations in Asia and America got independence and then started building of their economies. Initially the third world countries came together as regional groupings like the SAARC, ASEAN and OIC. With globalization, nations have realised the immense economic potential among them across the continents. BRICS is one such group of emerging economies in Asia, Africa, Eurasia and South America. Brazil, Russia, India, China and South Africa represent the rise of multi-polar world. The rise of BRICS represents not only their growing economic power, but also the aspirations of almost half of the human population on the globe. These economies are also growth engines at a time when growth in Developed countries has become stagnant. BRICS is not just the voice of 5 countries; it's the hope of all the developing economies. The geographical size and location of these member nations, their combined population, GDP Per Capita and their share in global trade all truly represent new phase of multi-polar world and globalization. This type of multilateral forums would redefine globalization. BRICS offers a new horizon of economic development for the global economy. The voice of the third world countries and the social, economic and political interests of the developing world can be represented by BRICS more effectively. The objective of this paper is to analyse how BRICS could usher in a new globalization, considering the factors like their population, GDP, geographical area and trade and also the challenges and opportunities these countries face.

Key Words: Globalization, Developing Countries, Economy, BRICS, Multi-polar world

Literature Review:

BRICS (Initially BRIC) was formed in the year 2006 with Brazil, Russia, India and China as member countries. Later, in the year 2010, South Africa was also given membership and the group has been named as BRICS. The term was first used by Jim O'Neill who was the then chairman of Goldman Sachs Asset Management, in the year 2001. In his publication titled 'Building Better Global Economic BRICs' ^[1] O'Neill expressed his opinion that BRICs economies would grow faster than that of the G7 countries. In a paper titled 'Indians Trade and Investment with BRICS', Maryam, Javeria ^[2], concluded that intra-BRICS cooperation can result in aiding the economic growth of each member country. He indicated that the share of BRICS countries in global trade rose from 4% in 1990's to 15% in the last two and a half decades. In his paper titled 'The Impact of WTO Agreement on Agriculture –A Comparison of the BRICS Countries, Kiran Bala Das ^[3] opined that the agreement on agriculture (AoA) has a positive impact on BRICS countries in post WTO regime. He further added that export of agricultural products from these nations increased after WTO agreement. In a study in 2012 on 'The Role of BRICS in the Developing World', the Directorate-General for external policies of European Union ^[4] expressed the opinion that the impact of BRICS on the economic development of Low Income Countries (LICs) has increased. The study also reported that FDI flows and contribution to international development financing from BRICS countries has increased substantially. Rich Marino ^[5] in his paper titled 'BRICS Countries: Yesterday, Today and Tomorrow' identified three different opinions about BRICS-first on the role of China, second one sees BRICS as economic alliance powerhouse and the third identifies BRICS' united strength and its intent to challenge the status quo of the world financial order.

A review of literature highlights the success of BRICS as an alternative economic power house and its potential to usher in a new global order. This paper throws light on the economic, social, cultural and political prospects of BRICS.

Introduction:**Bi-Polar World:**

Till 1990's the globe experienced a bi-polar world. The United States of America (U.S.A) and Union of Soviet Socialist Russia (U.S.S.R) were the major Economic and political powers across the globe. They were engaged in the spread of Democracy and Communism respectively. They even fought indirect wars to establish their supremacy. Nations had to take the side of either of these two powers. Few countries like India remained neutral by maintaining equal distance from the USA and the USSR. Many countries adopted protectionist policies in terms of trade and commerce and investments by other countries. India was also a closed economy.

The fall of Soviet Union and aftermath:

The fall of Soviet Union in 1990's had a rippling effect on global economy and political atmosphere across the world. Uni-polar world led by the USA had a major say on all international affairs. Global trade was in US dollars. Many countries started opening up their economies for foreign direct investments. Industrialization in the Western countries, economic development in third world countries, spurt in global population, demand for goods and services, demand for raw materials have all led to cooperation among the countries. Globalization, which is the process of integrating domestic economies with the global economy, has thus started. World Trade Organization (WTO) has been formed to coordinate the process of trade among all the member countries. Developing countries raised their voice against the unfair trade practices of the developed world. Many countries felt that WTO was biased towards the Western countries. Regional groups like SAARC, ASEAN, OIC and EU were formed to protect the common interests of member countries. European countries went a step further and formed a common Parliament, a common currency and a common trade policy for the member nations of European Union.

This research paper throws light on how BRICS has emerged and its role in ushering a new phase of globalization and also the future prospects of BRICS.

Objectives of the study:

- To understand the nature of BRICS
- To identify the areas of opportunities for BRICS countries
- To specify the challenges faced by BRICS
- To discuss how BRICS could usher in a new globalization

The Methodology of the Study:

The methodology adopted for this study is purely based on secondary data which has been collected from BRICS website, IMF statistics and other related journals and articles on BRICS.

Discussion:

For centuries, the world has remained either bi-polar or uni-polar economically and politically. After the fall of the U.S.S.R, the United States of America had a greater say in world bodies including the United Nations and the World Trade Organization. The fact that not all countries are blessed with all the natural resources has opened doors for liberalization, privatization and globalisation. Third world economies have slowly started reaping the benefits of global trade. However, most of these countries were either exporters of raw materials and importers of heavy machinery and finished goods and were highly dependent on export of agricultural products. Several MNC's in the west eyed the huge potential in agricultural markets of the third world. Few countries had to sign raw deals on farm products. Many countries still feel that WTO is biased towards the western world. Few developing countries with huge geographical size, population and relatively big markets like China and India were fighting against opening up of agricultural sector in their countries. However, their individual efforts at WTO did not bear fruitful results.

Developing world has started putting joint effort in fighting the menace of the multinational corporations from the west. Initially Brazil, Russia, India and China started meeting informally at all global platforms to discuss the common issues faced by them and to find a mutually agreeable solution. With the inclusion of South Africa, BRICs has become representative of major developing economies from Asia, Africa and South America. The first summit of BRIC countries took place in 2009 in Russia. The 11th BRICS summit^[6] is scheduled on 13-14 November 2019 and Brazil would be hosting this summit. The theme for this summit is BRICS: Economic Growth for an Innovative Future'.

- BRICS occupies 30% of the global geographical area
- Accounts for 42% of the world's population
- 23% of GDP and
- 18% of global trade^[7].

These figures prove that BRICS could become truly global and a multilateral platform in the near future.

Geographical Area:

Russia, China, Brazil and India are among the largest countries in the world. Including South Africa these countries are places for vast bio diversity as well. Rich minerals are an asset to these economies. The promising fossil fuels and natural gas basins in Russia could actually help these countries to protect themselves from ups and downs in global fuel prices. Continuous supply of fuel is necessary for economic stability and control of inflation. Brazil, China and India are world's largest producers of food grains. Their vast agricultural lands offer food security of the member nations. The strategic location of these five countries spread in Asia, Africa, Europe and Latin America is another advantage to be truly global in nature.



Source: Wikipedia

Population:

As discussed earlier BRICS countries account for 42% of the global population, making it the largest grouping in terms of population. China and India offer a vast market for the products of BRICS countries. The flourishing cities in China and the emerging middle class population of India together could create and sustain demand over a long period of time. These countries are also among the nations with the youngest population. If properly channelized the youth of these countries could create a global knowledge economy. The start up culture is also among the highest in these countries. Further, these countries also provide skilled and cost effective labour force for various industries across the globe. The Non Residents of these countries are adding to the foreign exchange reserves of BRICS countries, thus contributing to the economic development. The technocrats of these countries are in high demand in other parts of the world as well.

GDP:

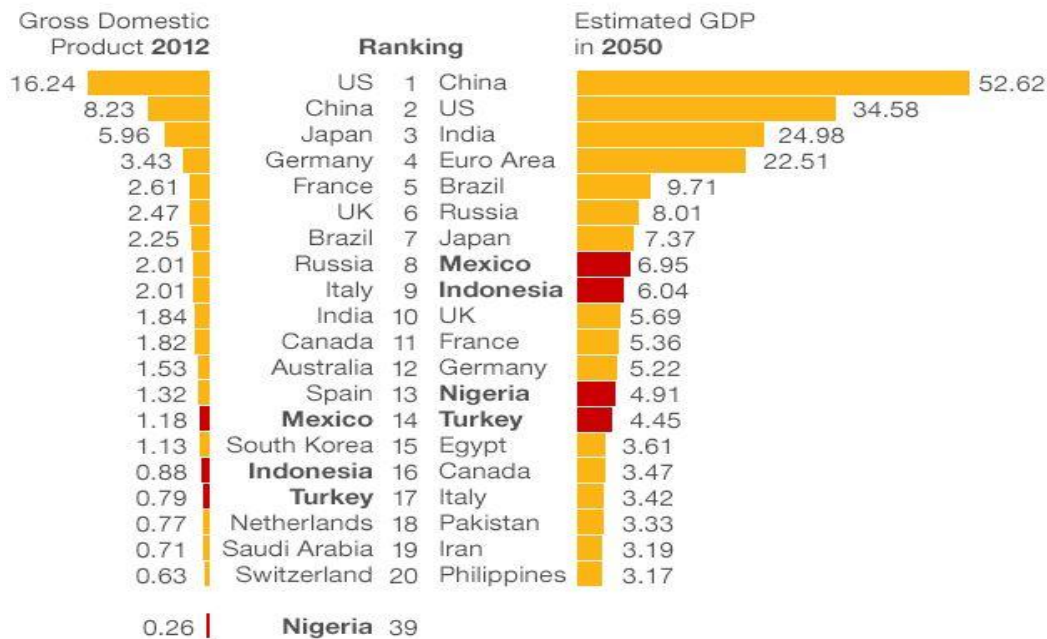
Gross domestic product (GDP) of the BRIC countries from 2014 to 2024 (in billion U.S. dollars)

	BRAZIL	RUSSIA	INDIA	CHINA	S. AFRICA
2014	2456.17	2056.58	2039.13	10534.53	350.90
2019	1960.19	1610.38	2972	14216.50	371.00
2024	2468.22	1920.24	4729.32	21309.5	458.58

Source: IMF

The projected GDP for BRICS for the year 2024 shows that these countries are poised for sustainable economic development in terms of GDP. Though Brazil and Russia show a fall in GDP figures from 2014 to 2019, they too are projected to improve their statistics by 2024, which is a positive trend with respect to GDP figures of BRICS countries. While the developed world is projected to grow at 0-2% annually, the BRICS countries are expected to grow between 4-6%. Of these five BRICS countries, China and India are going to be among the top five economies in the world. The prospects of growth would be much better if these countries invest in development projects of Asia, Africa and Latin America through the development bank of BRICS. At a time when the threat of recession is looming large, increase in spending by the governments of BRICS countries would act as a shield against global slowdown.

Rise of the MINTs
(\$ trillions)



Source: World Bank, Goldman Sachs

According to World Bank and Goldman Sachs report on the projected GDP of some selected countries, 4 of the 5 BRICS countries would rank among the top 6 countries in terms of GDP by the year 2050. This clearly indicates the global nature of BRICS and their economic prospects.

Global Trade:

Trade is another area to boost the relations between BRICS countries and the developing world. Traditionally too, these countries had huge volumes of trade between them. These five countries are also placed in strategic sea routes with heavy exports and imports. Interestingly, all the BRICS countries have vast sea coast and modern harbours which could handle huge merchant ships. The sea beds of these countries also have huge reserves of fossil fuels and shell gas. However, countries like China and India heavily depend on import of crude oil, which in turn drains their foreign reserves. These countries are now concentrating on green and renewable energy to reduce over dependence on imports. If the member nations of BRICS start trading in their domestic currencies, it would act as a guard against global economic shocks. Dependence on the US Dollar could be reduced. A common trade agreement could also boost the share of BRICS countries in the world trade.

Challenges:

BRICS countries are not free of challenges. They differ in their opinion on various regional and international issues. These issues range from

- Border disputes between India-China and China-Russia
- Dumping of cheap goods
- Restrictions on investments in selected sectors and
- Differences on international issues like Syria, Iran, Pakistan, Palestine and South China Sea.

However, India and China have always maintained tranquillity across the borders with high level meetings of special representatives and through formal and informal meetings of the Heads of the governments. This is evident from the fact that the bilateral trade between India and China is also the highest among the BRICS countries.

Opportunities:

BRICS could be instrumental in fighting global climate change. If the BRICS countries could meet the UN Sustainable Development Goals, it implies that half of the UN target is met, as BRICS represent 42% of the population on the globe. Further, China, India and Russia which are among the leading industrialised countries are adopting green technologies to reduce the global warming. These countries have also set individual targets to reduce the dependence on fossil fuels. With their strong economic fundamentals, these countries also offer investment opportunities to the fortune 500 companies and could also invest in other developing countries in Asia, Africa and Latin America.

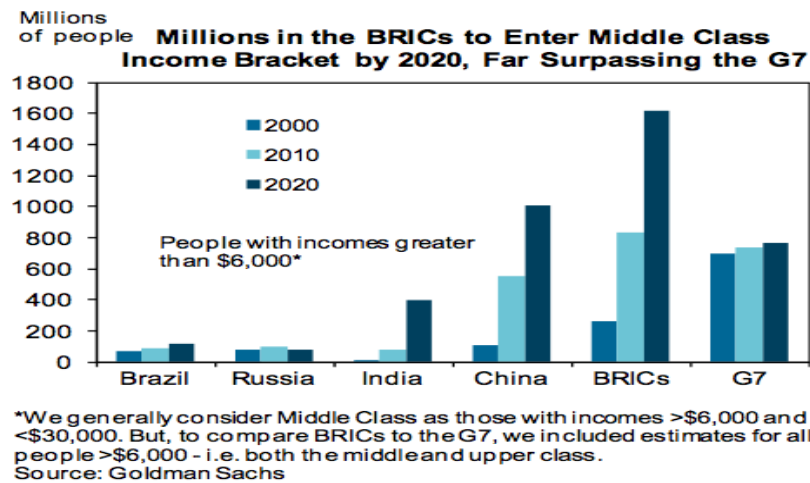
Areas of co operation among BRICS countries

- ✓ BRICS development bank
- ✓ Free trade agreements
- ✓ Trading in domestic currencies
- ✓ Investing in BRICS and non BRICS countries through Development Bank.
- ✓ Setting up research facilities on green technologies
- ✓ Transfer of Technology
- ✓ Cultural exchanges, trade fairs, educational exchanges and tourism

Being members of G20 and G77, BRICS could leverage their membership for the development of mankind through investments, partnerships and trade agreements.

BRICS offers a huge market not only for the member nations but also to other developed and developing countries. BRICS shall remain an engine of growth as all the members are developing countries with huge

potential and scope for development. The middle class population in these countries would become a strong base for demand generation and for sustaining the growth over a long period of time.



Conclusion

21st century is the century of the developing nations. BRICS represents the voice of these nations. The emergence of BRICS should not be seen as an alternative to the developed western countries or as a threat to any other regional groupings. BRICS countries together represent the aspirations of the developing world. The first ten years of its journey is a testimony of this group's success. With China, India, Brazil and Russia poised to be among the top developing nations, the political and economic clout of BRICS will certainly rise to benefit not only the member nations, but also other nations which may find their way into this group in the coming years and through the role the new development bank of BRICS would play in providing assistance to development projects in various domains. A new era of globalization under the stewardship of BRICS would usher in economic benefits to all the developing countries. With more people expected to enter into the middle class in BRICS economies, the UN sustainable development goals could well be met within the 2030 deadline. BRICS bank's investment in green energy would check the CO₂ emissions and reduce its impact on climate change. The huge population, geographical area, projected growth in GDP and their share in global trade are all indicators of a new story of development which includes and benefits half of the global citizens.

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