



BRICS : THE RISE OF SLEEPING GIANT

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Abstract

The combined territories of the BRICS countries account for nearly 30 percent of the world's total land area and 42 percent of the world's total population . In 2010, the group contributed 18 percent of the world's GDP and 15 percent of world trade. Among the BRICS members, China has been the "world factory" for many years, Brazil is a globally important "raw material base," Russia is an important world "petrol station," India is the world's well-known "office," while South Africa is "Africa's resources reservoir." This paper intends to highlights the growing influence of BRICS in the world economy and its role in the changing world economic order. It also intends to discuss the future ,issues and challenges ahead for BRICS and the standing of India in this group.

Keywords: economic growth, Emerging markets, structural change, BRIC countries

JEL Classification: C80, N10, O10

BRICS groups consists of Brazil, Russia, India, China and South Africa, with the name being the initials of the five countries. The group was known as BRIC before the entry of South Africa in December 2010. This term was coined by Jim O'Neil in 2001 and was used in the investment bank Goldman Sachs report titled Dreaming of Brics in 2003.

The combined territories of the BRICS countries account for nearly 30 percent of the world's total land area and 42 percent of the world's total population . In 2010, the group contributed 18 percent of the world's GDP and 15 percent of world trade. As per the projections made ,the five countries' combined population will peak at 44 percent of the world total by 2015 but is expected to fall to 37.1 percent by 2030. Their continuous GDP growth and falling population (after 2015) will help in increasing their per capita income and to improve the living standards of their peoples. BRICS is playing an increasingly important role in world economy. From 2001 to 2010, inter-BRICS trade shot up with an average annual growth rate of 28 percent and total trade among the five countries stood at 230 billion U.S. dollars in 2010. As emerging economies, the BRICS countries share similar views on many regional and international issues. Over recent years, dialogue and cooperation among the countries is strengthening, as evidenced by frequent exchanges of opinions on important issues concerning international economy and development.

BRICS:-Key Indicators and Statistics

Table No.1-BRIC Development Indicators

Table with 5 columns: Indicator, Brazil, Russia, India, China. Rows include Population (2009), GDP (US\$, 2009), and GDP per Capita (PPP, Current Intl \$, 2009).

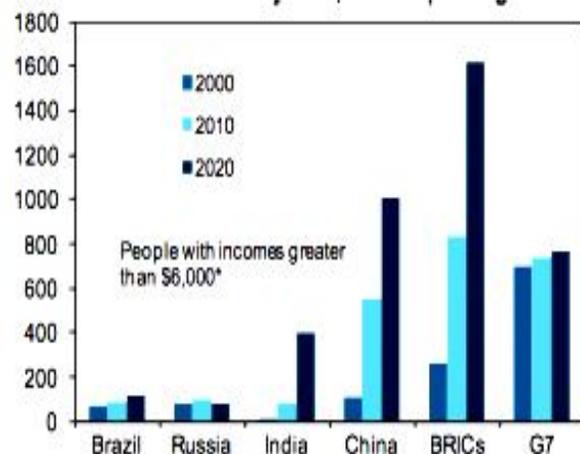
Table with 5 columns: Indicator, Brazil, Russia, India, China. Rows include GDP Avg. Growth Rate (1990 - 2009), GDP Projected Avg. Growth Rate (2011-14, as of April, 2011), Merchandise Exports (US\$, 2009), and HDI % Change (1990 - 2010, for Brazil only 2000 - 2010).

Source : World data Bank ,International Monetary Fund, UNDP Development Report

Growing Middle Class in BRIC

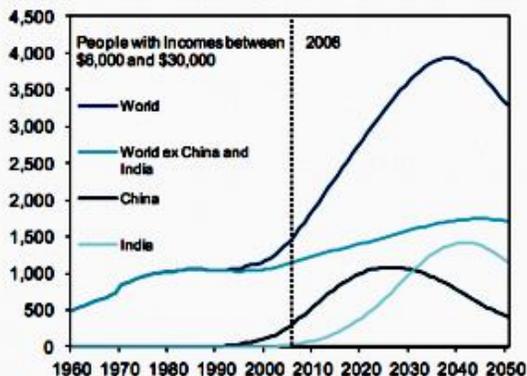
The rapid economic growth and demographics of China and India are expected to give rise to a large middle class whose consumption would help drive the BRICS' economic development and expansion of the global economy. The charts below depict how the increase in the middle class population of the BRIC countries is forecasted to more than double that of the developed G7 economies

Table No.2 :- Millions in the BRICS to Enter Middle Class Income Bracket by 2020, Far Surpassing the G7



Source :Goldman Sachs

Table No3. The Expanding World Middle Class (in millions)



Source : Goldman Sachs

BRICS:- The Big Picture

Next 11 Emerging Markets

Many analysts have suggested expanding the original group of four BRIC nations to include other emerging markets. Goldman Sachs has resisted conferring BRIC status on other developing countries on the grounds that their demographics and economic characteristics do not hold the potential for them to rival the economic size or influence of the BRIC countries or today's leading economies (e.g., U.S. and Japan). In a nod to the interest in other emerging markets, Goldman Sachs identified another group of economically dynamic and promising developing countries creatively labeled the "Next 11" in its 2005 Economics Paper No. 134 "How Solid are the BRICs?" The Next 11 consists of a broader group of emerging markets with the potential to play significant roles in the global economy, including: Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam.

Mexico and South Korea

Of the Next 11, two countries, Mexico and "perhaps" South Korea, were considered to "have the capacity to become as important globally as the BRICs." Both OECD countries were excluded from the BRIC grouping on the basis that they were already too much farther along in their economic development than the BRICs and were not likely to attain the economic stature or global influence of the original four BRIC countries.

Indonesia

Indonesia has been one of the stronger performers of the Next 11 group of developing countries. With greater than 230 million people, Indonesia's population is more than 4 times larger than South Africa's population and more than 60 percent bigger than Russia's. At \$540.3 billion in 2009, Indonesia's GDP was nearly double that of South Africa, though it was still less than half the size of Russia's economy.

South Africa

Despite China's invitation, Goldman Sachs' O'Neil has long contended that South Africa's population of 50 million people, a fraction of Russia's 143 million and China's 1.34 billion people, is too small for BRIC status. At roughly \$285 billion in 2009, South Africa's economy was less than one quarter that of Russia's, the smallest of the original BRIC country economies at about \$1,232 billion.

BRICS:- Growing Prestige and influence in the World Economy

Among the BRICS members, China has been the "world factory" for many years, Brazil is a globally important "raw material base," Russia is an important world "petrol station," India is the world's well-known "office," while South Africa is "Africa's resources reservoir."

According to the Russian top diplomat Lavrov "the cooperation mechanism under the BRICS framework was maturing and its influence was going up and now the alliance is expanded, with the joining of the leading African country, South Africa. Thus, BRICS obtains a real global scale". He also highlighted the notable progress of BRICS countries that they had made joint efforts in the reform of the international financial-economic architecture, such as the World Bank and the International Monetary Fund. According to him the bloc should advance its cooperation in international economic and political affairs, this will accelerate the process of overcoming the influence of global crises and facilitate the creation of a more democratic and just financial system. He also called for the BRICS countries to actively cooperate within the United Nations and push the development of relations with other leading developing countries and some international organizations, such as the Shanghai Cooperation Organization and ASEAN. Within BRICS, he said the cooperation mechanism provided the member states with a very good possibility for economic and technological cooperation based on complementing one another's advantages. The economic and trade relations between China and Russia overall was positive, with bilateral trade in 2010 exceeding the pre-crisis level of 2008 to reach nearly 60 billion U.S. dollars. China had also become Russia's largest trade partner, with notable progress in energy cooperation. The two countries were on improving the quality of economic and trade cooperation, with a view to rendering their cooperation a strategic one.

Recent Summit :- Focus on economic issues and global challenges

The Fourth BRICS Academic Forum comprising experts and scholars from the research and academic institutions of Brazil, Russia, India, China and South Africa met on March 4th, 5th and 6th, 2012 in New Delhi. The BRICS have covered significant ground from the first meeting of



Leaders in Yekaterinburg, the Forum believes that they must seek and set concrete agendas for articulating a clear, bold and ambitious vision.

The theme for this year's Forum, "Stability, Security and Growth", represents the common aspirations of BRICS for strengthening progressive development trajectories and seeking transformations for optimal representation and participation in matters of global political, economic and financial governance. Sovereignty and International law serve as the fundamental principles for BRICS members in world affairs and these are prerequisites for ensuring stability, security and growth.

The Forum has proposed the following recommendations to the BRICS Leaders for their consideration:

Given the state of the euro zone and the continued ripples created by the global financial crisis, greater emphasis must be given to creating frameworks for enabling viable and timely responses to both endogenous and exogenous financial shocks within and outside BRICS. A systematic approach should be articulated to respond to any further economic downturns in the global economy.

The BRICS nations seek to create institutions that enable viable alternatives for enhancing inclusive socio-economic development agenda within and outside BRICS. Such institutions must eventually seek to set global benchmarks for best practices and standards.

BRICS agreed to "strengthen financial cooperation" among their individual development banks at the Leaders Summit at Sanya in 2011. For furthering this objective, the Forum recommends studying the establishment and operational modalities of financial institutions such as a Development Bank and/or an Investment Fund that can assist in the development of BRICS and other developing countries.

BRICS must evolve as a platform for creating contextualised multilateral policies, and by mutual consultation develop viable and credible mechanisms to respond to local, regional and international political and social turbulence such as the events being witnessed in West Asia and North Africa.

The increasing involvement of non state actors and the dilution of the principle of non-interference are dual challenges that need to be met. Appropriate policies consistent with International Law need to be studied by BRICS academic institutions.

The BRICS are home to some of the most bio-diverse regions in the world and they must work together to preserve such diversity through exchanges and consultations. They also must share experiences of integrating natural assets with their national macro-economic policies.

As home to nearly half of the world's population, BRICS have a responsibility to create pathways for sustainable

development. BRICS could learn from policy successes as well as failures of the past from within and outside BRICS, and seek to implement policy solutions for sustainable development. In this context BRICS must bring to the fore inclusive growth and equitable development as the central narrative at global fora such as Rio+20.

BRICS must study the role of financial and non-financial policy instruments in promoting innovation, strengthening University-Industry linkages and evolving TRIPS compatible IPR policies.

The BRICS nations have a responsibility to respond to the increase in terrorist activities, illicit narcotics trade, money laundering, human trafficking and other new challenges. They must work together to neutralise the threats posed to each of them by sharing resources and information where appropriate, and through collaboration between relevant institutions in the member countries.

The Forum noted that a website has already been created by the Indian coordinator on BRICS issues. This could be further evolved into a virtual platform for the academic community for dissemination of developments, research and ideas. The Forum also suggests that the academic community and governments must work towards enhancing visibility of BRICS in their own countries and create an identifiable brand value.

Recent trends have shown that the BRICS are still very vulnerable to food and commodity price volatility. This, in turn, has exposed gaps in existing market policies and regulations as well as highlighted the imperative of resource efficiency. The BRICS should increase intra-BRICS cooperation in order to provide stable economic anchors for price volatility while simultaneously enhancing efficiency of resource use through better management, standards and technologies.

Urbanization is both a common challenge and an opportunity for BRICS. Additional capability and capacity building within urban agglomerations must be prioritized through sharing knowledge, policies and skills. Key actionable areas need to include infrastructure development, investments in mass transport, and programmes to enable social transformation.

The BRICS members must study the efficacy of their individual education policies and policies on Affirmative Action in promoting Inclusive growth. Documenting and sharing related outcomes could prove mutually beneficial. As a first step each of the member countries could use the Internet-based platform for distance learning about one another's history and socio-economic development.

Cultural cooperation and connectivity between BRICS countries should be promoted. Instituting scholarships to promote student exchange between BRICS and creation of platform for dialogue and interface between representatives from legislative bodies, political parties



and young leaders of the member nations could complement such efforts.

The BRICS are replete with instances and examples of innovative technologies, policies and practices. They must create linkages and institutions to share such learning, in order to promote economic growth and human development. An exchange programme of scholars, experts and business leaders in the area of innovation and entrepreneurship would present a good opportunity to enable this. In this context diversified linkages could be established among the business schools and other institutions of the five countries.

BRICS experts must undertake a thorough assessment of indigenous knowledge and practices to deal with common challenges such as eco-friendly agricultural practices, efficient water use, disaster management and other humanitarian issues.

BRICS need to collaborate on the realization of the ideal of 'universal healthcare and medicines for all'. They must enable sharing of policies, practices, standards and experiences on public healthcare and create a community of healthcare professionals across BRICS. It is also suggested that the members must collaborate in strengthening the understanding and dissemination of traditional medicines and therapeutic practices. BRICS members must also coordinate and cooperate in international fora such as the WTO and work towards the effective transformation of WHO programmes.

The BRICS academic institutions and governments must share their hosting experiences from the annual Academic Forums and Summits in order to make successive interactions more productive and efficient. BRICS engagements must be increased in range and frequency. To this end a Memorandum of Understanding has been signed between BRICS coordinating research institutions. BRICS must explore and make use of such avenues and partnerships among member countries. The BRICS Academic Forum wishes the Indian government the very best for hosting the Fourth BRICS Leaders Summit and is confident that the Forum's recommendations will be considered. The Forum appreciates the warm hospitality and expresses a hearty thank you to the Observer Research Foundation for all arrangements.

India and BRICS:-Some Key Developments

India attaches importance to its engagement with BRICS. Prime Minister, Dr Manmohan Singh, led the Indian delegation to all the three BRICS Summit. India has participated in all the BRICS Meetings of Foreign Ministers, Finance Ministers, Agriculture Ministers, Trade Ministers, Health Ministers, High Representatives on Security, Business Forum, Development Banks, and other sectoral meetings.

First BRIC Summit: At the first formal BRIC Summit in

Yekaterinburg on June 16, 2009, Prime Minister, Dr Manmohan Singh, proposed setting up of a BRIC Business Forum to further consolidate intra-BRIC Trade and Economic ties, networking of BRIC Think Tanks and commissioning of a Joint Economic Study on the State of World Economy and the Role of BRICS in it.

Second BRIC Summit : Prime Minister, Dr Manmohan Singh, at the second BRIC Summit in Brasilia in April 2010, stated, "BRIC countries can benefit by sharing their experiences in the field of inclusive growth. BRIC nations can set an example in promoting collaborative development, deployment and dissemination of clean energy and renewable technologies..... BRIC countries are uniquely placed to contribute to reforming the architecture of global governance..... Energy and food security are two specific areas where we can work together."

Third BRICS Summit: At the third BRICS Summit in Sanya, China, in April 2011, Prime Minister, Dr Manmohan Singh, stated, ".....We are strengthened by the complementarities of our resource endowments..... We share the vision of inclusive growth and prosperity in the world..... We stand for a rule-based, stable and predictable global order..... Nuclear safety has emerged as a major source of concern the world over after the tragedy in Japan. We should cooperate in this area, as well as in disaster relief and management....."

Joint Economic Study: Carrying forward the idea of a Joint Economic Study as proposed by the Prime Minister of India at the first BRIC Summit in Russia in 2009, India hosted three Workshops with the participation of experts from other BRICS countries to take forward the idea of the BRICS Joint Study. The Study is being finalized factoring in inputs received from the member countries.

BRICS Academic Forum: India hosted the first formal meeting of BRIC Think Tanks in May 2009 in the run-up to the first BRIC Summit in Yekaterinburg. BRICS Think-tanks met in New Delhi on 5-6 March 2012 in the run-up to the Summit.

BRICS Economic Research Group: India is hosting the first meeting of the BRICS Economic Research Group which is a new Indian initiative bringing together Economic Think Tanks as well as Editors of the Leading Economic magazines of the member countries. The meeting was hosted in New Delhi on 27 February 2012.

Issues and challenges Ahead

The leaders of the BRIC countries have to deal with five domestic problems. First they have to take measures to narrow the large income gap in their countries, although they are already implementing social policies to this end. Second the BRICS economies have to increase the pace of industrialization. To become countries with high per capita income, they have to transform themselves into skill-intensive and knowledge-intensive economies. Third the



five economies have to improve their social security systems. They are indeed trying hard to do that, but they have to intensify their efforts. Fourth they have to take steps to control inflation. In the past 10 years, Brazil has successfully implemented macroeconomic control. The other countries need to think on this front. And last the five countries have to stem the flow of hot money into their economies. It is a difficult job, because their fast development and investment opportunities offer high returns and in return attract overseas investors.

Conclusions

The BRICS economies have a lot to benefit from their relationship with developed countries, and vice-versa. Their cooperation can result in a truly win-win situation. The BRICS economies import a huge amount of equipment from developed countries to meet their urbanization and industrialization demands. Their combined demand and the developed countries' capital and technological superiority can drive global economic growth, and help the developed economies to emerge from the global economic crisis. The BRICS economies' relationship with other developing countries is again a mutually beneficial affair. The expansion of BRICS' markets will especially help countries in Africa, Latin America and Southeast Asia, which can increase their exports. In return, BRICS can take advantage of the rapid development of other developing countries' markets to increase their own exports and growth. The BRICS economies are increasing their overseas investment, especially in developing countries. For example, China is the biggest investor in Brazil. Besides mutual investments, the BRICS economies are also investing in other developing countries, helping increase local employment and economic development. The global financial crisis was created because some individuals in major developed countries abused their national credit system and issued excessive amounts of currencies, which resulted in the proliferation of financial products. Now, all countries are mulling ways to reform the international financial and monetary system to stabilize the world economy. The BRICS economies are more or less the victims of the global financial crisis and, therefore, should cooperate to the fullest extent to reform the international financial and monetary system. Climate change is another common challenge for the BRICS economies. Industrialization in the developed countries began a couple of centuries ago, and they have been emitting greenhouse gases since then. So they should take the major responsibility of fighting climate change. Besides, they should also transfer environmentally friendly technologies to the developing nations at low costs, if not for free, to help the latter adapt to and fight against climate change. But some developed countries are using the transfer of green technologies to make profits. This is to

sabotage the development of emerging economies. In future one will see the changing landscape of the world economy and the fall of dollar as well. The developing countries are trying their best to convert their economies in the developed one. On the other hand LCD's are also leaving any stone unturned to make their presence notable. The world will now not will be unipolar for more time.

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