Emerging Powers: Global Trade Force in a Multipolar System

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Abstract

Representatives of the Brazil, Russia, India, China, and South Africa (BRICS) are treated as a new foundation for the global economy. The BRICS’s quick developing powers are considered to be currently altering the 21st-century political and economic map. In light of socioeconomic and political evolution, they are experiencing an unusual set of circumstances. The discussions that govern the communication in each present BRICS representative, on security of either traditional or non-traditional nature, are tied to the difficulties faced by the global community. This provides a fascinating chance with a matrix of various possibilities to collaborate, combine, and work collectively. Within the BRICS, growth and diversity coincide. During most of the past decade, all BRICS representatives have benefited from higher growth as each country has its own uniqueness. Brazil has formed economic structure, Russia’s economy is fuelled by commodities, India has an economy driven by domestic demand and China dominates in exports while South Africa signifies Africa’s fast-growing region. Growth is the critical factor that transforms this community into a significant and strong force in the global economy. In the G-20, all five countries have a vital role in forming the global economy policy and financial stability. Therefore, this study intends to examine the global economy, the region where current institutions are being most challenged by the emerging economies. Along with their effect on global security, BRICS appear as a new generator for global growth. This study assesses their efforts in improving the international financial system along with their responsibility in the international political system and its stability.

Keywords: Emerging Powers; Brazil, Russia, India, China, and South Africa; Global Economy; International Political System; Global Security

1. Introduction

The emergence of Brazil, Russia, India, China, and South Africa (BRICS) has helped to change the economic landscape in the global economy by opening new economic spaces for developing countries. In the next few decades, BRICS is likely to replace the present G-7. BRICS is a group of five fast-developing countries; Brazil, Russia, China, India, and South Africa.

When Goldman Sachs first published its report on BRIC members, the countries were thought to have the best economic prospects for future growth and consuming power, outpacing the G-7. These conclusions encompassed a wide range of economic data where BRIC members were likely to close the gap and perhaps overtake the G-7 by 2050. Summarizing the findings from the Goldman Sachs report Bell (2011): (1) Economic size: In <40 years, the BRIC economies, when aggregated, could be larger than G-7 in U.S. dollar terms. China overtook Germany, Japan, and will overtake the U.S. by 2039, (2) economic growth: According to Goldman Sachs projections, India has the potential to show the fastest economic growth over the next 30-50 years, likely brought about by an increase in population and improvements in basic infrastructure including energy, (3) incomes and demographics: While incomes are likely to increase, individuals from the BRICS are likely to remain somewhat poorer on average than are individuals in the G-7 by 2050. Russia may be able to catch up to the poorer of the G-7 by 2050 in terms of income per capita. Within the next 20 years, China’s per capita income could be roughly what Korea’s is at present, about $30,000, while only the U.S. reaches a per capita income
level of $80,000, (4) global demand: By 2025 the annual increase in the U.S. dollar spending from BRIC members could be two times that of the G-7 and potentially 4 times higher by 2050, (5) currency movements: BRICS real exchange rates could appreciate by up to 300% over the next 40 years. China’s currency could double in value within 10 years’ time if growth rates continued uninterrupted and the exchange rate were allowed to freely float Wilson and Purushothaman (2003).

Many emerging economies have expanding productive skills set that have significant production capabilities, especially in the context of rapid innovation and technological advancements. Despite the relatively low literacy and educational attainment rates in China, India and Brazil, combined BRICS do have a large and growing pool of well-educated individuals that would boost their workforce in the next decade. It is noted that BRICS, through improvements in education, investments in research and development, and international collaboration is moving in the right direction to become leaders in innovation. This in itself also has the potential to attract further foreign direct investment and boost growth in these economies.

BRICS members have been credited with nearly 50% of the world’s economic growth. Their share is expected to increase further, as members’ growth rates surpass the average annual growth rate of the world economy. BRICS growth rates are predicted to remain relatively high. The growth patterns of BRICS are becoming more interdependent as China is responsible for falling prices in many labor-intensive products while India’s growth has placed upward pressure on petroleum prices. Moreover, it is noted that China’s rise to prominence has created additional benefits for developing countries by increasing demand and prices for their commodities, particularly in raw materials and energy Titarenk (2012).

This paper is organized as follows; section 2 analyses the role of BRICS in the regional context while section 3 examines the BRICS global influence. Section 4 scrutinizes the role of BRICS-G20 in reforming the international financial system in the aftermath of the global financial crisis (GFC). Finally, section 5 concludes the importance of BRICS as a new emerging power in the international political and economic arena.

2. BRICS in the Regional Context

The creation and development of the BRICS has to be seen within the broader context of a growing number of emerging regional powers and contacts between these powers, including through a multitude of partially overlapping and complementary multilateral frameworks in the Southern hemisphere, in particular in the Asia-Pacific where western countries are mostly not represented (Keukeleire and Bruyninckx, 2011). The BRICS phenomenon mirrors a general shift in the international balance of power, with the center of gravity moving from the Euro-Atlantic to the Asia-Pacific area and from the North and West to the South and the East – the emergence of the G-20 being yet another indication of this wider process.

First, increasing dialog and cooperation in several variations on the BRICS format:

• RIC: Trilateral meetings with Russia, India and China, the 10th trilateral meeting of the Foreign Ministers of Russia, India, and China was held on 2010.
• India, Brazil, and South Africa (IBSA): The trilateral IBSA initiative, which was formally launched in 2003 with India, Brazil, and South Africa.
• BASIC: The BASIC-format with Brazil, South Africa, India, and China was launched in November 2009 with a Joint Strategy for the UN Framework Convention Climate Change in Copenhagen where they eventually sidelined the EU and negotiated a deal with the U.S. Since then, frequent ministerial meetings have taken place on these issues.
• Bilateral relations: A large and increasing number of bilateral meetings are organized on various political, diplomatic, and bureaucratic levels between the BRICS members (particularly Russia-China, Russia-India, India-China, and Brazil-Russia).

These variations on the BRICS-theme are not surprising in view of the differences and divergences, which exist between the five BRICS members. These various formats can be seen as a sign of weakness of the BRICS formula, but can also be perceived as a sign of flexibility that allows the BRICS members
to choose the format, which best fits their purposes and to avoid divergences leading to inertia. The various formats seem to reinforce each other; statements issued in the context of one format often include references to the other formats.

Second, Russia, China, and India have been promoting the multilateralization of their dialogues and triilogues and the inclusion of other countries in the region, with several international forums emerging in which particularly Russia, China, and/or India play a role. These include:

- The Shanghai Cooperation Organization (SCO), including Russia, China, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan, with India, Pakistan, Iran, and Mongolia as observers.
- The South Asian Association for Regional Cooperation (SAARC), including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Nine countries, including China, the EU, and the U.S. possess observer status.
- The ASEAN+3 process (including the ASEAN countries plus China, Japan, and Korea).
- The East Asia Summit, including China, India, together with other Asian countries as well as Australia and New Zealand.

Third, the major geo-economic and geo-political shift from the previously predominant transatlantic area to the rising Asia-Pacific area is also reflected in the Asia-Pacific Economic Cooperation (APEC) that brings together 21 states in the Asia-Pacific region, including major powers such as China, the U.S. and Russia and emerging or mid-sized powers in Asia (including ASEAN countries plus Japan and Korea), the American continent (Canada, Mexico, Peru, and Chile), as well as Australia and New Zealand, accounting together for approximately 40% of the world’s population, 44% of world trade and 54% of world gross domestic product (GDP). Most importantly, it provides a link between the increasingly important Asian continent and the still largest global political, economic, and military power (U.S.) Da Silva, Drumond and de Almeida (2011).

All these international forums have one feature in common. It is a world where the EU is absent, where Europe is considered far away, and in most cases also as irrelevant, with the exception of the WTO, the G-20 and some other multilateral forums where “Brussels” and the European approaches have to be dealt with and, if necessary, countered or blocked. In this sense, in view of the differences between the BRICS members, it is not in itself a problem that the EU has not developed a “BRICS policy” and has focused on bilateral policies toward each of these countries separately. However, it is more problematic that the EU has no policy to deal with the generally changing balance of power in the 21st century, a phenomenon in which the rise of the BRICS has to be situated.

Interestingly, Europeans often dismiss these new forums for dialogue, coordination, and cooperation as not really significant in view of the lack of legally binding commitments in these settings. However, it may be more adequate to recognize that BRICS members and the other Asian or Southern countries have made the choice for multilateralism too, just like the EU, but that it is a choice for multilateralism based on fundamentally different principles with regard to both contents and approach.

This description points to a clear prioritization of economic growth and development, which can be linked to the reluctance of BRICS members to let economic development be restricted by concerns in other policy domains that the Europeans consider important, such as environment, social protection, or human rights. It points to a preference for a pure intergovernmental approach, with decision-making by consensus, absence of treaty obligations and voluntary commitments, which is opposed to the European preference for legally binding commitments and powerful international organizations/ regimes. It reflects strong determination to protect national sovereignty, a principle also shared by the EU’s main partner, the U.S Cassiolato and Lundvall (2006).

In other words, whereas the EU had hoped that its model of “effective multilateralism”, based on legally binding commitments and treaties, would gradually become the global standard, with the interaction between the EU and UN becoming an increasingly important point of reference (European Council, 2003; Laatikainen and Smith, 2006; Wouters, et al. 2008). In fact, EU perceives itself increasingly marginalized with regard to the way the international scene is structured. The EU was regularly blinded by the references to effective multilateralism in its partnerships and other agreements with the individual BRICS members, leading to the false impression that these were all “partnerships for effective multilateralism” (Grevi and de Vasconcelos, 2008).
Figure 1 shows an overview of the various partially overlapping and complementary emerging constellations of power and multilateral frameworks in the southern part of the world, Asia and the Pacific. It reflects an increasingly dense set of formal and informal networks and personal and professional contacts between a growing number of ministers, diplomats, senior as well as specialized civil servants and agencies which are responsible for a continuously widening set of policy issues and which meet each other more and more in various forums in addition to their bilateral contacts.

Interestingly, neither the BRICS nor any of the other variations or multilateral frameworks can be considered as really coherent, powerful, and influential as such. Nor does this increasing number of meetings lead to real “hard decisions.” However, these rather diffuse overlapping sets of bilateralisms, trilateralism, and multilateralism do increasingly have an impact on the outcome of international negotiations, because they inform and impact upon the national positions of the various participating countries as well as upon UN negotiations and various specialized international negotiation processes.

The clearest and for the Europeans most painful example of this emerging and increasingly important set of partially overlapping multilateral forums was the marginalization of the EU in the

Figure 1: The BRICS multilateral frameworks, BASIC - Brazil, South Africa, India, China, BRICS - Brazil, Russia, India, China, South Africa, BRIC - Brazil, Russia, India, China, RIC - Russia, India, China, IBSA - India, Brazil, South Africa, SAARC - South Asian Association for Regional Cooperation, ASEAN - Association of South East Asian Nations, ASEAN+3 - Association of South East Asian Nations + Japan, Korea, China, EAS - East Asia Summit, APEC - Asia-Pacific Economic Cooperation, SCO - Shanghai Cooperation Organization, CIS - Commonwealth of Independent States Countries in bold are considered by the EU as “Strategic Partners”

Source: Keukeleire and Bruyninckx (2011)
Climate Conference in Copenhagen in December 2009. The Copenhagen Accord was essentially brokered by the BASIC countries and Australia, thereby successfully representing and defending the “Southern” position in the climate change debate, with the U.S. managing to break into the deal and the EU being largely sidelined. In the final stage of the conference, these countries formulated the accord outside of the formal negotiations dynamic, with the fundamental option (not to accept binding commitments) being taken, not in Copenhagen itself, but at the preceding APEC meeting in Singapore in November 2009. It illustrates that the BRICS and other emerging powers’ interpretation of and choice for multilateralism was in fact a “choice for multilateralism,” and they were effective in using the various multilateral frameworks to impact upon the final result in the way they prefer (Keukeleire and Bruyninckx).

The EU is the world’s leading exporter of goods. In 2007, extra-EU exports amounted to €1200 billion, about 17% of total world exports, not including intra-EU dispatches. With imports of €1370 billion (18.1% of the world total, not including intra-EU dispatches), the EU is also the second largest importer, only closely behind the U.S. whose imports totaled €1500 billion in 2007 about 18.5%. The rapid growth of Chinese exports over the past two decades has made China advance to rank two in the global list of world exporters of about 11.8% of total, overtaking both the U.S. and Japan. In terms of imports, China is still behind the EU and the U.S. but ahead of Japan.

Various growth rates in exports and imports over the past two decades have caused a significant reallocation of market shares between countries of these two country groupings, mainly from the triad to the BRIC. Figure 2 shows that the export market shares of the triad have all significantly decreased over the period 1995-2007. In the case of the EU, the share in global exports decreased from 19% in 1995 to 17% in 2007 with the strongest decline in the period 1995-2000. In fact, the EU global export market shares seem to have stabilized since then and even show a slight increase between 2000 and 2007. The loss in export market shares over the past two decades is more pronounced in the case of the U.S. and Japan. Market shares declined to 11.3% in the case of the U.S., down more than 4% compared to 1995. Japan recorded a loss of 5% of its share in global exports, leaving it with a market share of 7% in 2007. Comparing the losses in market shares of the triad countries, the EU was relatively successful in defending its market share.

Figure 3 shows that the import market shares of the triad have all significantly decreased over the period 1995-2007. In the case of the EU, the share in global imports slightly decreased from 19% in 1995 to 18% in 2007 which is the highest decline. The loss in import market shares over the past two decades is more pronounced in the case of the U.S. and Japan. Market shares declined to 19.4% in the case of the U.S., down more than 5% compared to 1995. Japan recorded a loss of 3.5% of its share in global imports, leaving it with a market share of 5.5% in 2007. Comparing the losses in market shares of the triad countries, the EU was relatively successful in defending its market share.

The EU’s leading role in international trade also survives when bilateral relations between the triad and the BRIC are regarded. The comparison of shares in total imports of the BRICS reveals that

Figure 2: Brazil, Russia, India, China, South Africa, and triad share in goods exports

Source: IMF (2016)
the EU has the highest market shares among the triad countries, with the notable exception of China as highlighted in Figure 4. In China, Japan accounts for roughly 15% of imports, compared to 12.8% of the EU and 8% of the U.S. In Russia, the EU had an impressive import market share of 44% in 2007, up from 40% in the year 2000, and far ahead of the U.S. and Japan. Interestingly, the EU also occupies a higher market share in Brazilian imports than the U.S., with the differential in market share increasing from <3% in 2000 to approximately 6.5% in 2007. Both the EU and the United States experienced a decline of their market share in Brazilian imports over the 2000-2007 periods which is in line with the general tendency in the BRICS. Notable exceptions are the rise of the EU’s import market share in Russia and the stabilization of the U.S. share in the India’s import market.

It appears that the EU companies make intensive use of the trade channel to serve the markets of the BRICS and are also rather successful compared to the U.S. and Japan, which are less favorable positioned in most of the BRICS in terms of import market shares Keeler (2012).

Despite falling market shares in the BRIC, their importance as trading partners for the triad countries is on the rise, the result of much faster export and import growth rates of these countries. On the export side, Russia has become the main export partner of the EU among the BRIC, absorbing 7.1% of extra-EU exports, slightly ahead even of China of 5.8%. For the U.S. and Japan, in contrast, Russia is less significant as an export market. For them, China is the major export destination among the BRIC. All triad countries have in common that their shares of both exports destined for and imports from

**Figure 3:** Brazil, Russia, India, China, and South Africa and triad share in goods imports

Source: IMF (2016)

**Figure 4:** Shares of the triad in Brazil, Russia, India, and China, imports, % (1995-2007)

Source: UN Comtrade (2013)
China have increased between 2000 and 2007, with a higher share occupied in imports, surpassing 20% in the case of Japanese imports in 2007. In the EU and U.S., imports from China have exploded, rising by 8.8% and 8.3% to reach 16.4% and 16.9% of total imports, respectively, in 2007. On the export side, the increase of the relative importance of China as a trading partner is less pronounced, reaching approximately 5.8% of total EU and 5.3% of total U.S. exports. For the EU and the U.S., a by-product of these developments is the increasing trade deficit, especially with China. In 2007, the bilateral trade with China and Russia contributed 84% to the total trade deficit of the EU, up from 56% in the year 2000.

There are several factors contributing to China’s strong export performance. One of the factors is that the triad countries provided China with the necessary capital goods, technology, and know-how to diversify and upgrade domestic industrial and export capacities. An indication for this is the very high share of capital goods in China’s imports from the triad countries, especially from the EU. The same is also true for Chinese imports from the United States (although less so for imports from Japan). A distinctive feature of Chinese trade is the high share of parts and components (P and C), particularly on the import side. The trade in P and C constitutes a deep form of economic integration because it entails the geographic separation of the production process of goods. In contrast, this form of trade integration is much less developed in Russia and also India (Fertő and Soos, 2008). The split-up of the trade according to broad economic categories, which reflect different stages of production, also shows that China’s and India’s trade is characterized by a very low share of imports of consumption goods. Consumption goods only account for 4.4% of China’s and 4.6% of India’s aggregate goods imports. Compared to these very low shares, both China and India import relatively more consumption goods from the EU (10.7% and 6%, respectively). In contrast, consumption goods are the major category in Russian imports accounting for 36% of total imports in trade with the world and only slightly less in bilateral trade with the EU.

3. BRICS Global Influence

Forming a global economic alternative is definitely an essential optimistic quality of the BRICS. Written before the 2012 BRICS Summit, an article by Jim O’Neill proposes that as their GDP collectively was near $13 billion and that their size united with be greater than the U.S. over the next 3 years, their significance in governing international financial institutions and the global economy will grow. Likewise, the BRICS Research Group found that the BRICS member’s GDP together will surpass the countries of the G-7 by 2030, and boost their presence on the global level.

Essential stakeholders believe the foundation for the BRICS are based in long-term economic concerns of each member, which involve amending obsolete global financial and economic architecture, enhancing the international law’s principles and standards while backing up the complementarities of their economies’ numerous sectors. It is certain there is a common perspective from various commentators that the BRICS has diversified the world economy’s growth while being a significant factor in democratizing international economic relations (Yan, 2011).

The BASIC group (Brazil, South Africa, India, and China) was another collective formed in 2009, prior the UN Climate Summit held in Copenhagen. The collective collaborated briefly to concentrate on the Copenhagen Summit’s results which involved discussing the support for the Copenhagen Accord as a legally binding treaty. While failing, BASIC then moved its attention to forming a legally binding agreement on climate change, accusing the United States for delaying the agreement on the concern. BASIC has also directed its attention to the necessity of further financial support for developing countries and their “historical responsibility” to ensure greater resources and assistance to reduce climate change and adapt.

The BRICS formation was due to the consequences of the GFC and the desire of its members to possess greater influence in the control of international financial systems. Research reveals that this ensemble has given the BRICS greater peer connect as their interests were not always concurrent with other smaller developing countries within the G-77. In addition, members of the BRIC are connected to a minimum of 10 essential regional bodies such as the Commonwealth of Independent States, the
Collective Security Treaty Organization, Eurasian Economic Community (EurAsEc), the SCO, the APEC forum, the Union of South American Nations and Mercosur, the African Union, the South African Development Community, and the SAARC. If utilized productively, their unison enables the BRICS strategic advantage in a variety of global forums such as the UN Security Council, the G-77, and the non-aligned movement.

The BRICS have the spotlight in global geopolitics. Some will disagree as they are sceptical about most of the BRICS members’ economies having a slowing rate of growth. However, the BRICS have surpassed economies to transform into a strong group propelled by an encompassing desire to redesign the world order and remap global politics in terms of semantics and grammar. Thus, the 5th BRICS summit in Durban was held the spotlight, since most developing countries quiver about this group of emerging economies’ strategic motives Singh and Dube (2011).

The BRICS political influence is based on their capacity to undercut the G-7 countries traditional strength in global issues. A former Under Secretary General of the UN, Nitin Desai, noted that the global order has been based around the concerns of the U.S., Western Europe and later Japan following the Second World War. Despite other developing nations eventually came in this period, forums which non-western countries have provided influence like the UN were made useless in light of decision-making powers and global economic interdependence. Instead, they were provided institutions that have been controlled by Western nations such as the IMF and the World Bank. The BRICS coming together was basically confronting this system (Desai, 2012).

However, there is a risk of a declared goal for systemic change being quickly converted by short-term benefits. In light of the G-20, there is overflowing belief on whether the BRICS with an increase of decision-making privileges will simply be absorbed into cooperation by the G-7 economies, or will it generate a crucial power transition if the BRICS can convince other embers such as Argentina, Indonesia, Mexico, South Korea, and Turkey to collaborate more jointly with their concerns and influences.

On a scale, these projection outcomes are surprising when compared to 10 years prior. Four of the five largest economies in 2050 are estimated to be BRIC economies, weighted in U.S. Dollar terms with the U.S. only in second place. In 2010, Brazil had already secured a seventh place but is expected to move to fourth in 2050. China had already secured a second place in 2010 which Russia and India were placed at 11th and 10th place, respectively, but were anticipated to move up to fifth and third place, respectively. The Chinese economy would outperform the U.S. economy in 2026 while the BRICS collectively would outperform the U.S. in 2015 and the G-7 in 2032 based on these amended projections.

This direction suggests a moving transition in the proportion of global activity concerning the BRICS and the emerging markets (EM) world that initiate in modesty around a little over 10 years beforehand. In the 1980s and 1990s, the BRICS countries were responsible for around 10% of global GDP (PPP-weighted). This grew to approximately 25% of 2010’s global activity and around 2050 the share was estimated to almost double to roughly 40%. From this point of view, the calculations suggest that the Great Transformation in regards of GDP levels were almost halfway done (Wilson et al., 2012).

Figure 5 shows that the share of BRICS in global output will increase from 9% of the global PPP-adjusted GDP in 1980 to about 40% of the global PPP-adjusted GDP in 2050 while the share of developed countries in global output will decrease from 68% of the global PPP-adjusted GDP in 1980 to about 26% of the global PPP-adjusted GDP in 2050. The share of other emerging economies in global output will increase slightly from 12% of the global PPP-adjusted GDP in 1980 to about 13% of the global PPP-adjusted GDP in 2050.

Figure 6 shows that Brazil has the 16th rank of the world GDP in 1980 and improved to be the 10th, 7th, and 4th in 2000, 2010, and 2050, respectively. Russia was not in the top 20 of the world GDP in 1980 and improved to be the 18th, 11th, and 5th in 2000, 2010, and 2050, respectively. India has the 12th rank of the world GDP in 1980 and improved to be the 13th, 10th, and 3rd, in 2000, 2010, and 2050, respectively. China has the 11th rank of the world GDP in 1980 and improved to be the 6th, 2nd, and 1st in 2000, 2010, and 2050, respectively. South Africa has never been on the top 20 of world GDP for the period 1980-2050.
Figure 7 shows that BRICS have potential global future growth compared with other EM and developed countries. The peak decade for BRICS future growth is 2010-2019 where the growth rate reaches 2.2% compared with 0.6% and 1% of other EM and developed countries, respectively.

Figure 8 shows that China has the highest average growth rate of 13% in 1980-1980 followed by India and Brazil of 6.0% and 3.6%, respectively. India has high potential growth rate to reach an average of 6% in 2040-2050 followed by Brazil, China, and Russia of 3.9%, 3.8%, and 2%, respectively.

4. BRICS-G20 Financial System Reform

The 2008 GFC was the result of a process where financial institutions issued credit to borrowers who failed to meet the prime underwriting guidelines, also known as the subprime mortgage. Subprime borrowers have a greater anticipated risk of default, including those who have a history of loan delinquency or default, those with recorded bankruptcy or those with limited debt experience. However, it is generally accepted that low-income borrowers who barely had money to deposit were not meant for subprime mortgages. Subprime mortgages were meant to be short-term loans made to borrowers anticipating to attain higher income after their purchase or expected to sell their property early. Subprime loans were also utilized by many property investors to finance their investment homes. They believed property prices would increase when the home bubble burst. The majority of borrowers who could not handle their debts eventually defaulted and the securitized instruments gradually depreciated in the U.S.

Keep in mind that to compare the situation of Japan in a time of economic recession and economic bubble burst in the 1990s after the 1980s - booming period, it required more than 10 years for the economy to recover. After the bubble popped, the Japanese stagnant economy was affected by domestic home prices; interestingly it did not impact foreign countries significantly as other nations where not dependent on income from Japan. This is the tremendous distinctiveness between Japan and the U.S. experiencing bubble bursts.
The majority of the developed countries have been through the unstable scenario due to facing economic depression in 2008-2009. Evidently, the emerging economies quickly expanding on a yearly basis cannot bypass the doom of global recession. A down size in each BRICS economies’ stock market index was caused a lot of money being withdrawn from the BRICS stock market. This was certainly notable in Brazil and Russia, causing them to suffer in the nearby future.

The G-20’s transformation is a story reveals the current global economy’s complexity and the increasing significance of emerging countries in its management. The G-20 summit is the first international stage where the distribution of today’s economic powers is prevalent within its structure. The nations within the summit generate approximately 85% of the world’s GDP (Zoellick, 2011). Finance ministers have suggested to resolve the issue of emerging countries against the context of the Asian financial crisis in 1999 while generally to resolve issues of advanced economies created by the GFC, G-20 meetings were advocated to a summit level, not the least with the help of China and Brazil. While ensuring the global economy’s stability by universally controlling financial instruments of high risk, the G-20 was also initiated to resolve the issues of advanced economies with assistance from emerging countries.

To stop the international economic system from falling apart, the G-20 and institutions such as IMF are working hard while being support by all the major economies. Contrastingly, all major countries inside the G-20 along with other related institutions with special concerns and significance are intensely competitive. While sharing a passionate focus to safeguard the global system from failing, the U.S. and other major players are motivated to fight for political and economic gain Jones (2011).

During the 2008 GFC, the first BRIC summit was held to concentrate on understanding the crisis and the possibilities of how the G-20 members together could redesign the international financial institutions. The G-20’s major accomplishments were increased IMF resources with a $1.1 trillion global recovery plan. Both accomplishments had contributions made by BRICS members. China generated a massive domestic stimulus plan, along with Brazil, who became an essential contributor to the IMF as they were a decade-long debtor. In return, emerging countries were agreed to be transferred IMF voting shares by the IMF Governing Board. In addition, the G-20’s initiatives on a financial stability board, mutual assessment mechanisms, financial regulatory policies, and the development

Figure 7: Brazil, Russia, India, China, and South Africa potential for future growth, % (1980:2050)

Source: IMF, GS Global ECS Research (2013)

Figure 8: Brazil, Russia, India, China, and South Africa growth rate, % (1980:2050)

Source: World Economic Outlook (2013)
agenda are all governance efforts which become highly significant to the emerging countries’ prosperity and interests Azahaf and Schraad-Tischler (2012).

There was no recognizable effort in forming a BRICS power bloc inside the G-20 to triumph the concerns of shared interests to BRICS members outside the BRICS Summit Declaration on agenda items that were mentioned on the G-20 agenda. The BRICS economies do not always agree with on views in the G-20 and only gather over in general matters regardless of the numerous agenda items where they certainly have concern, such as the development agenda and improving international institutions. Hopefully as an initiation to institutionalizing the BRICS power bloc within the G-20, the leaders of the BRICS economies met in June 2012 during the G-20 Summit. Excluding the circumstance of where a member economy is hosting the G-20 Summit, an absence of a united front inside the G-20 obstructs the BRICS from effectively setting the agenda. The agenda on global governance reform is then defeated. Bradlow postulates that despite the G-20 has strongly identified itself as the main institution for debating global economic affairs, the G-7 still sets the agenda due to the BRICS apathy (Bradlow, 2010).

As the G-7 acknowledges the G-20’s supremacy in economic matters, they still dominate the global economic agenda which mainly concerns the regulatory and governance issues of their particular interests. The changing power balance insinuates that the G-20’s increasing powers can be involved in debates over agenda items and can sway their priorities.

BRICS economies have amplified their legitimacy through their greater integration into the world economic system. They are all huge economies within their areas and are significant WTO members. While newly acquiring its WTO membership, Russia’s economy may improve as its financial power is typically small in comparison to other BRICS nations and its political influence is immensely based on how the Russian energy sector impacts consumers situated in the EU and Asia. In 2008, the IMF implemented a quota reform which has mainly benefited China and Brazil. In 2009, the major bond purchasers of the IMF total quota increase are Brazil, Russia, India, and China. The emerging economies China, India, Russia, and Brazil will have their total quota shares raised from 3.996%, 2.442%, 2.494%, and 1.783% in 2008 to 6.394%, 2.751%, 2.706%, and 2.316%, respectively. The Board of Directors’ arrangement will be mended to reduce the European countries privileges by minimizing the amount of their directors by two and having all directors elected instead of being appointed.

BRICS economies feel it is essential to amass tremendous foreign reserves to avert financial risk with the present international monetary system. Thus, the BRICS desire to redesign the world currency system by endorsing another option besides the U.S. Dollar or through the promotion of special drawing rights status. Some aspects need to be redesigned from the BRICS countries point of view: (1) International reserve currencies should be diversified at a quicker rate to form a reliable international currency system, (2) A major issue is the disequilibrium in payment balances on a global scale. From the late 1990s, the current account deficit in the US has been increasing as it is an investment location for EM whose current account surpluses have been increasing, (3) A few countries, such as the U.S. and EU control the IMF decision-making mechanism. The systems for choosing IMF senior managers are unclear and the standard criteria is concerned with nationality instead of purely expertise, (4) There are limited funding resources available of IMF, also it is required from the emerging economies that there be an increase in the contribution of the exchange for voting share reform approach, (5) There is a need for the IMF to improve their ability in the regulation and supervision of the international financial markets for the avoidance of systemic risks.

From 2010 to 2012, in the three summits, the reformation of international financial institutions and the requirement for a monetary system which is more diverse and stable has received a great deal of attention. These demands have arisen due to the global financial and currency crises, they communicate that there is a need for multi-polar and fair international order. In 2010 at the Brasilia Summit, the Joint Statement issued communicates particular changes which BRICS members desired, which include voting power reforms in the World Bank, quota reforms in the IMF and the support of Russia in their efforts in the acquisition to the WTO. The Joint Statement also provides a commitment to the study of the feasibility of monetary cooperation, which includes the organization of local currency trade settlements among countries which are members. It is also supported by the adoption of the
memorandum of cooperation development banks of the BRIC members at the summit. The G-20, in the same year, advocated the BRICS members and their call to the increase and review of quotas in favor of countries which are under-represented and emerging economies. In the December of 2010, the package of reforms in voting shares and quotas by the IMF’s governing board was approved.

In 2011, there was a focus placed on the establishment of institutional mechanisms to allow for the collaborative work across the BRICS Finance Ministers through mutual information systems and training objectives by the BRICS Sanya Summit. In the political world, the meeting gained attention due to the reinforced call for reforms in international financial institutions. This includes a push toward creating leading positions in the IMF and World Bank to candidates not within the U.S., OECD bloc and additional discussion centered on the international monetary system and the special drawing rights within it.

BRICS members stand at an important point of challenge. The past 20 years have seen these countries rise to a position of importance in the global economy, there has been an emergence of a new set of constraints from the background of the global economy slowing down. Critics view BRICS as a group that has failed in its efforts to take over the US despite the potential of it initially, referencing events such as Europe (1960s), Japan (1970s and 1980s), the Asian Tigers (1990s), etc. Of higher concern is that the slowdown of BRICS, which makes almost half of a contribution to the global economic expansion, may produce a decrease in the possibility of an accelerated recovery of the global economy.

Since the 1990s, BRICS members have experienced a rapid growth, although with the global economic and financial crisis in 2008, it started to see a constraint in numbers. Due to the setback of the financial markets and economic slowdown in the US and Europe, there has been a decline in the export to developed markets from BRICS and the investments into their respective economies, which influence the growth prospects. Initially, it may seem as if BRICS appeared to have overcome the influences of the global economic crisis, the past few years the deceleration has gained momentum, which raises concerns for the economic polies in these countries. In 2010, the real GDP of BRICS was more than 8 percent, although in 2011 it declined to 6.5% and experienced a further drop in 2012 to 4.87% and is estimated in 2013 to reach 4.7%.

Within the BRICS members, of growing concern is the growth prospect of individual countries. In 2010, the real GDP growth of Brazil of 7.6% experienced a fall in 2011 to 2.7% with the decline continuing through to 2012 and with estimates of 2.5% in 2013. In 2012, Russian experienced a growth of 2% and is believed to remain stable. From 2000 to 2010, Indian had an annual growth rate of 7.4%, its growth is believed to decline in 2013 to 5%. While China has seen a 10% average growth in the past 25 years, its economic growth is predicted to decrease to around 6.5%, a pattern that is believed to carry on for the next few years. Another major problem that arose was inflation. After the economic crisis, BRICS members and their currency, with the exclusion of China, have seen a varying of levels of instability. The BRICS stock market value is the lowest it has ever been in 3 years. Within the BRICS members, the top global companies have experience a gradual wearing down of their market values, which has led to a substantial decline in their respective global rankings BRICS Research Group (2012).

Due to these developments there is a great opportunity for policy makers in the governments of BRICS to create policies which are proactive and revive their domestic economic climate as well as the establishment of more reliable links with other markets which are emerging. The importance of groups centered on economic growth and prospects such as Next Eleven and Frontier Markets, are increasing. For the expansion of domestic markets to be recovered and growth, there is great importance for BRICS to create reliable relationships with these economies. This will allow BRICS members to lessen their heavy dependence for exports on the developed markets.

In relation to this, the plan for the development of the cooperation within the BRICS members could also include the following:

a. Members of BRICS are characterized as strong-middle class with potential for higher savings.

Growth in the reliance on market-related instruments including stocks and other structured products, which were impacted very negatively by the financial crisis, has decreased the optimism of investors. There is great importance on getting investors to return to the financial markets. In this
context, it is essential to have a safer and long-term investment designed which could be readily understandable and managed by retail investors. For the formation of capital and investment, this would be a requirement.
b. Within the members of BRICS, dominantly the members are small and medium enterprises. The majority have a dependence on financing from the bank or other resources. There is great importance placed on the development of specialized capital markets to accommodate for small and medium enterprises and their needs and requirements.
c. Within the BRICS members, trading, and cross-border listing opportunities are plentiful. The beginnings of listing index futures’ restricted efforts have been seen. To cover listings and company trades with global operations and business, it needs to be further improved.
d. The development to diversifying investments among single investors and companies within the BRICS economies could be examined by extent for the design of special financial instruments with sovereign guarantees.
e. Joint endeavors could be transform for its productive use in encouraging financial inclusion given the BRICS ability in technology.
f. The BRICS Development Bank which has been proposed could move toward forming harmony of generating institutional mechanism to provide infrastructure financing, which is essential for growth to continually grow and sustain in these economies.
g. Among the BRICS, secretariat there may be the creation of a special task force for the engagement of other rapidly growing nations in the “N11” and “Frontier Markets” for the cooperation and collaboration on policies which induce growth that would provide mutual benefits and be productive.
h. Greater exchange of information, knowledge, skills, and expertise may alter certain areas of the financial sector, information technology, process management, financial education and investor literacy, and aid help these countries in capacity building vital for growth to sustain.
i. Considering the increasing significance BRICS members, it may be worthwhile to issue an annual review of the economy and finance of BRICS that would address different issues surrounding growth and development pertinent to the countries in the grouping.

5. Conclusion

The BRICS members do not represent a political coalition currently capable of playing a leading geopolitical role on the global stage. Each country seeks its sovereignty, Brazil’s foreign policy priority is to consolidate its economic gains at the national level by building international influence and partners, and the BRICS members represent an important opportunity to realize that vision. The group was unable to take a concerted stand on the new head of the IMF, but sees an opportunity for BRICS to have a more influential, if not major, global role in the future. It was noticed that China wants to remain a partner within BRICS, not lead it. By way of perspective, China’s trade with the rest of BRICS combined was smaller than its bilateral trade with the U.S. or Japan. In add to the absence of shared values between all members’ limits the potential for BRICS, the pull toward expanding BRICS to new members would dilute what cohesiveness it does possess. It is argued that while the symbolism of its inclusion in BRICS is important for South Africa, its national interests are better served by pursuing greater regional cooperation, as well as with existing groups with greater shared geographic interests and political values, such as IBSA.

Challenges to growth are not uncommon for countries and grouping. What matters is the response mechanism and collaborative approach in overcoming the pressures. The BRICS members has not only pursued higher growth for a longer term but also realized the importance of cooperation among themselves. BRICS forums of various nature and significance are an important indicator of growing reliance on cooperative endeavors to scale up and sustain growth. The important task ahead of the BRICS members is to prove that growth can be long-lasting so as to make its presence in the global economics and finance a real force to reckon with.

One of the driving forces behind transforming a Goldman Sachs paper’s analytical tool into an emerging global coalition was a shared frustration among its members with the U.S. led global economic
architecture. However, the fact is that BRICS lacks the ability and willingness to mount a challenge to that system, its members do want greater influence in how that system is governed, at present and in the future. Wei recommended that “the U.S. should take it easy, even we are not confident about the future of BRICS!” Instead, he suggested that the U.S. should be prepared to engage with BRICS, and in fact noted that he sees an improvement in the U.S. willingness to listen to other countries, a greater willingness than he sees from the EU (Dresen, 2011).

The lack of an effective BRICS or emerging power lobby group within the G-20 makes the position of the G-7 more entrenched. There exists a loose consultation mechanism among the developing countries as a whole, including non-BRICS members, in which countries meet not to consolidate positions but rather to share ideas and consult on issues. In summary, the BRICS has had a few wins in the G-20, but this has been together with other emerging economies, and there is no exclusivity to their achievements.

The U.S. and EU should transfer some rights to the emerging powers in exchange for a greater contribution of financial resources to IMF. With the increasing diffusion of global power, any reform of international institutions would be impossible without positive cooperation between both established and emerging members Kokotsis (2012).

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