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An Economic Study on BRICS – Current Status and Challenges

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Abstract

Ahead of the forthcoming BRICS summit, Russian President Vladimir Putin has reiterated the significant efforts by the member states to consolidate cooperation and dialogues in key multifaceted areas including those relating to member states, regional and international arena.

The 2018 BRICS summit is hosted under the theme "BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution" and the theme has been explained that the BRICS countries are increasingly at the forefront of driving technological advances. The leaders will review BRICS' first ten years and discuss future cooperation including prospects of the group's expansion

Introduction

Brazil, Russia, India, China and South Africa (BRICS) are an acronym for the combined economies of Brazil, Russia, India, China and South Africa. Economists at Goldman Sachs originally coined the term BRIC (without South Africa) in 2003. Analysts speculated that, by 2050, these four economies would be the most dominant. South Africa was added to the list on April 13, 2011 creating "BRICS".

As of 2011, five countries were among the fastest growing emerging markets. It's important to note that the Goldman Sachs thesis isn't that these countries are a political alliance (like the European Union) or a formal trading association. Instead, they have the potential to form a powerful economic bloc. Leaders from BRICS countries regularly attend summits together and often act in concert with each others' interests.

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To safeguard the gains BRICS countries have made, they should consider promoting cooperation for growth and development among themselves, and through dialogue with other like-minded partners. To this end, BRICS could consider market integration in the areas of trade, foreign investment and capital markets to counteract the effects of negative global trends. In addition, member states could work towards greater BRICS consultation and cooperation in economic and financial bodies such as the World Bank, the World Trade Organization (WTO) and the International Monetary Fund (IMF), and collaborate, using existing cooperative frameworks, to foster intra-BRICS consensus on issues of mutual agreement.

Objective of the study

- To addressing poverty and to achieving the MDG_s goals
- To evaluate Current Status and Challenges

Brics in the Global Economy

The BRICS countries' role as an engine of new consumption-driven growth may increase more dramatically and quickly than many analysts expect. Their average growth in the past two decades makes BRICS countries a powerful and prominent force in the global economy. The dollar-denominated GDP rankings of Brazil, Russia, India and China were within the top 10 in 2015.

The five BRICS countries participate in the international market in different ways. Manufactured goods account for 94.3 percent of total exports from China, compared to 68.4 percent from India and 40.6 percent from South Africa. Export of manufactured goods by Brazil and Russia accounts for 36.1 percent and 22.3 percent, respectively, of their total exports. Russia's export basket is dominated by fuel and mineral exports (nearly 67.4 percent), while agricultural products, fuel and mining products account for nearly 61 percent of exports in Brazil. The demand for South Africa's manufactured goods (nearly 40.6 percent of total exports) has boosted the country's exports and contributed to its economic growth

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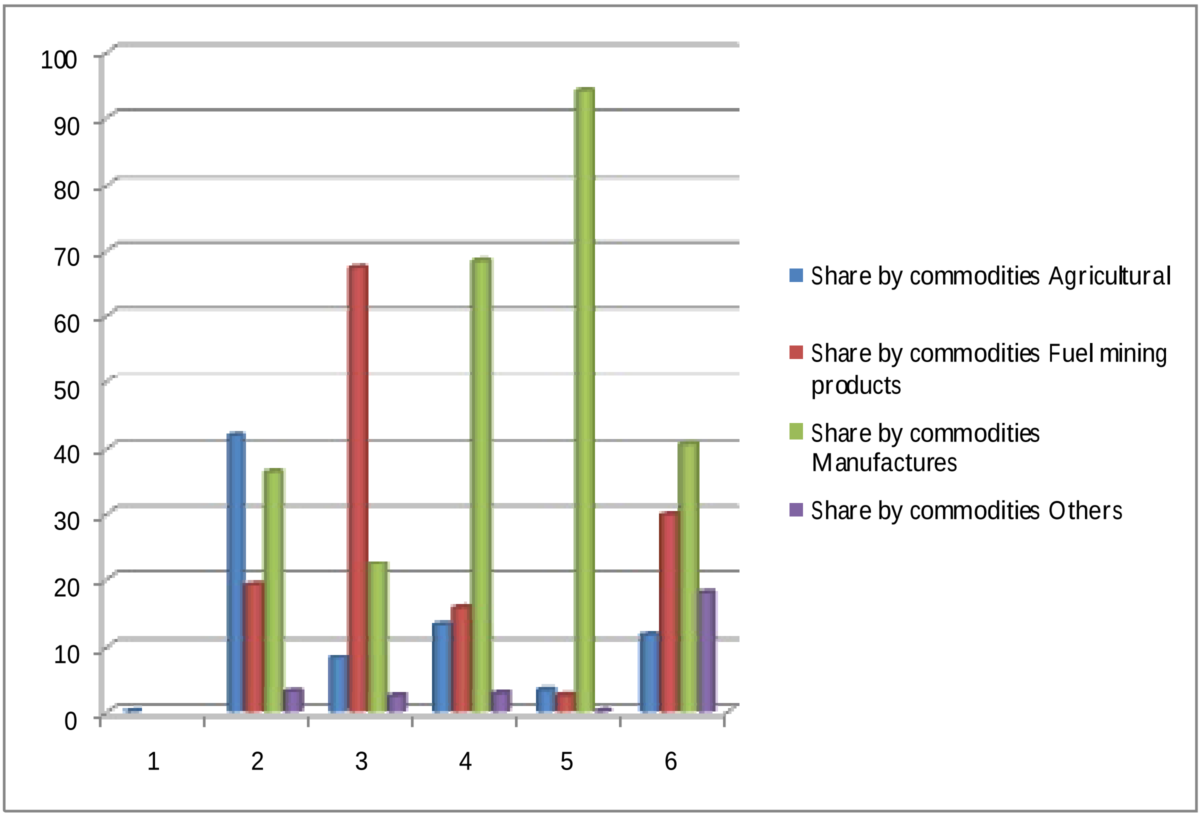
BRICS Import Composition (2018)

Countries	Merchandise Exports ($ billions)	Share in world total export	Share by commodities			
			Agricultural Products	Fuel mining products	Manufactures	Others
Brazil	191.1	1.2	41.9	19.1	36.1	3.0
Russia	340.3	2.1	8.0	67.4	22.3	2.3
India	267.1	1.6	13.2	15.7	68.4	2.7
Chaina	2,225.0	13.8	3.2	2.4	94.3	0.1
South Africa	81.7	0.5	11.7	29.8	40.6	17.9

Source: WTO Statistics Database, available at

<http://stat.wto.org/Home/WSDBHome.aspx?Language2 Main Challenges



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2. External Challenges

2.1 Global economic slowdown

With emerging market economies (BRICS included) rapidly integrated into the global economy, changing global conditions highlight the increasing sensitivity of these economies. Affected by the global financial crisis of 2008, the world economy slowed down and export demand became weak, posing great challenges for emerging economies dependent on the world market. Meanwhile, many advanced economies started a re-industrialisation strategy that also put great pressure on developing countries.

2.2 The rise of trade protectionism

Beset by shrinking GDP and rising unemployment, individual countries tends to erect barriers against foreign trade, hoping to protect domestic industries. According to WTO's reports on trade developments between October 2017 and October 2018, nearly 15 new trade-restrictive measures were introduced per month during this period. The total number of restrictions rose to 2,557 as of October 2018, up 17 percent from the corresponding previous period. The rise of trade protectionism makes export-oriented BRICS countries subject to ever-increasing trade barriers and conflicts. Besides, several trade strategies newly adopted by the Trump administration, such as withdrawing from the TPP and renegotiating the North American Free Trade Agreement (NAFTA), have released trade protective signals towards the world, which may lead to the further rise of trade protectionism.

2.3 **Exclusive free trade agreements dominated by developed economies**

The Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) and the Trade in Services Agreement (TISA), bearing the same features of wide coverage and high standards, are supposed to promote reform of Promoting Cooperation for Economic Growth and Development 17 international trade and investment rules in the near future. The TPP was signed in Auckland in February 2016. The 12 countries involved represent almost 40 percent of the global economy and one third of all international trade. However, the withdrawal of the US from TPP in January 2017 makes the ratification and eventual implementation of the TPP

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almost impossible. The TTIP is a proposed trade agreement between the EU and the US, which is still under negotiation. These two economies account for 40 percent of the global economy and half of all international trade. The TISA is a proposed trade treaty involving 24 parties, which includes 52 countries, and is said to be the largest ever of its kind in history. The combined GDP of the TISA parties comprises two thirds of the world economy.

BRICS countries have been excluded from these “big three” tie-ups dominated by the advanced economies. These “big three” are intended to marginalise emerging economies represented by BRICS countries and deprive them of a voice in the making of these new international trade and investment rules, which are likely to be implicitly discriminatory. Despite the possible failure of the TPP due to the US withdrawal, the high-standard templates set by the TPP will have potential long-term impacts on future free trade agreements, which may disadvantage BRICS countries in the short term. Apart from that, taking the wide coverage of the TTIP and TISA into account, once these two are eventually signed, BRICS countries may become passive followers of future trade rules, which could be a blow to their interests.

3. Internal Challenges

Declining trend in growth rate and lack of new development-driven forces The rapid growth trend among the BRICS countries since the 1990s has been tempered following the global financial crisis. Since 2010, by the external environment, BRICS countries have encountered difficulties in their economic development. Russia has experienced sharp decline in growth rate since 2013. Its economy shrank by 3.7 percent in 2018. Brazil has undergone stagflation (as has Russia), with its economy contracting 3.8 percent in 2018 and 3.6 percent in 2018. The growth rate of South Africa has dropped under 2 percent since 2018. Although it is good to see China and India with a relative high growth rate, both of them are still facing the pressure of structural reforms.

Technological developments across sectors in the BRICS economies are more visible over the past two decades, and may also be responsible for the changes in the composition of BRICS exports. The share of high-technology goods in the export baskets clearly indicates an upward trend. A large percentage of the BRICS nations’ import baskets consist of capital goods,

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indicating the process of large-scale industrialisation in these economies, which is also reflected in the changing composition of their commodity exports

Realizing the BRICS Long-Term Goals

Brazil. The demand for South Africa's manufactured goods (nearly 40.6 percent of total exports) has boosted the country's exports and contributed to its economic growth. Technological developments across sectors in the BRICS economies are more visible over the past two decades, and may also be responsible for the changes in the composition of BRICS exports. The share of high-technology goods in the export baskets clearly indicates an upward trend. A large percentage of the BRICS nations' import baskets consist of capital goods, indicating the process of large-scale industrialization in these economies, which is also reflected in the changing composition of their commodity exports

Economic growth and innovative future for five key economies is focus for the Summit. BRICS, that also comprises India, Russia and China, will discuss counter-terror cooperation as one of its priority areas during its annual summit later this year.

The issue of countering terror effectively -- extending support to India figured -- at the BRICS (Brazil-Russia-India-China-South Africa) Sherpa meeting held in the Brazilian city of Curitiba between March 14 and 15.

Brazil is the current chair of the grouping which represents over 3.6 billion people or half of the world population and they have a combined nominal GDP of USD 16.6 trillion. Brazil has identified countering terrorism as one of its priority areas for BRICS under its presidency. Brazil's priorities for its presidency includes inter-alia science, technology, and innovation, digital economy, New Development Bank and BRICS Business Council as well as countering transnational crime and terrorism, the Brazilian government sources said.

India conveyed its support for the priority areas set out by Brazil, particularly to take forward BRICS cooperation on counter- terrorism in a meaningful and concrete manner with BRICS member countries.

Supporting Brazil, China, Russia, India and South Africa have also underlined the need to take forward inter-alia people-to-people cooperation, cooperation in science and technology and innovation, and also in health and traditional medicine under BRICS.

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Summary and Findings.

Brazil, China, India, Russia and South Africa accounted for more than 42 per cent of the global population, nearly 30 per cent of the total land mass and generated 30 per cent of the total world GDP (in PPP terms) in 2014, which is set to rise significantly. With the increasing influence of emerging economies in reshaping the global order, BRICS nations have been very vocal in the area pertaining to economics, security, politics and culture, which concerns all developing countries. Despite this, BRICS economies work more as a competitor in foreign markets than working as a bloc. Their inability to identify common interests and develop consensus on various issues has only hampered their position in international institutions and hence a more co-ordinate, co-operative and strong institutional base is what is expected from BRICS economies to move forward. With a large section of their population suffering from hunger and malnutrition and global food prices rising steadily, BRICS nations are forced to focus on various aspects of food security. Though China and India are proud of their high GDP numbers (PPP), both of them are lagging behind when it comes to providing food security for their people. Meanwhile, Russia and Brazil have performed really well in most of the indicators pertaining to food security. While Russia's performance can be attributed to its pre-Soviet era socialist policies, Brazil's integrated zero hunger programme undertook many schemes, covering availability, accessibility and absorption aspect of the food security.

Despite implementing many policies to provide nutritious food at a subsidized rate to children and pregnant and lactating mothers, India's performance has been unsatisfactory, due to its inability to reach the targeted group, corruption and illiteracy. The irony is China and India, along with Brazil are among the biggest producers of food grains in the world, while South Africa and Russia have the least amount of agro-production among the BRICS countries. India, which is the worst performer in accessibility and absorption aspect of food security in the study, needs progressive policy action to boost incomes and reduce poverty. Beside this, there is also need to educate its vast illiterate population and make sure that schemes reach the targeted people. BRICS economies should improve coordination among them and share the existing know-how for the progressive development of all the nations in the bloc.

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