

# The Importance of the BRICS Group in the International Economic System

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## Abstract

*This study is conducted on the BRICS group and it presents some possible future evolutions of the alliance through scenarios in terms of its growth and development - both horizontally and vertically. It is based on the analyzes carried out by several international organizations such as Goldman Sachs or the UN, but also on the data and information made public by the BRICS through reports, statements and other official documents.*

**Key words:** BRICS, scenario, horizontal & vertical development, global economy

**J.E.L. classification:** F53, F63

## 1. Introduction

Now an alliance, a phenomenon and even an economic mechanism - BRICS at first was just an acronym, a marketing trick, intended only for the sale of intellectual products to US businessmen, which also applies to the choice of the countries included in this group. However, since the middle of the first decade of the 2000s, to the economic reasons and to the word game have been added the political and the security ones.

The project began to live its own life and it started to become a quasi-block made up of four, and then of five states, all of them united by the idea of reformatting the modern system of international relations to a multipolar one. Another idea unifying the group is the alignment with the current economic power of by adopting some global economic and political decisions. Despite their differences, another thing that unites the five BRICS countries is the desire of liberalization of trade, economic and financial relations between them – the intra-BRICS relations.

Meanwhile, the Association of Brazil, Russia, India, China and South Africa - BRICS (established at the initiative of Russia in 2006) managed to achieve significant results in a short time, becoming so an influential player on the international market. BRICS could be seen as a symbol of an increasing power, a vector for the formation and maintenance of a polycentric world, which has continued to expand both horizontally and vertically, at different levels but also in various fields and sectors of activity.

The main purpose of the presented analysis is to predict the future evolution of the BRICS formation and to deduce some possible scenarios regarding the growth and development of the group, both vertically and horizontally. Building on the premise of a multi-polar world and the emergence of emerging countries as a power with ever-increasing global economic and political influence, particularly in the global economic crisis, we have come to the conclusion that the BRICS group will have a prosperous future, if these countries are still united and open to a further collaboration.

This cooperation of the emerging countries is likely to change current trends at the global level, especially regarding the financial market due to the creation of the *New BRICS Development Bank*, their efforts of changing some elements of the SDR basket, their investment in research & development sectors, in the development of ICT or in the training & formation of available national human resources. The future premises for BRICS collaboration are the creating of different cooperation / discussion platforms, BRICS working groups or signing statements. More

specifically, the aim of all these actions is the consolidation of all kinds of intra-BRICS relations and it underpin the shifts in the global paradigm.

## 2. Theoretical background

In the literature, BRICS Group is considered as one of „*the most innovative and surprising new elements in the structure of global governance*” (Stuenkel, 2012). Although the legitimacy of the group continues to be disputed as long as no member of the alliance is mandated to represent its region, the coordination of international member states' positions has become more visible in recent times, though often in a more slightly trembling (Oehler-Şincai, 2014, p. 1).

Since the 2000s, various scientists and international organizations have shown interest in the medium and long-term evolution of the BRICS - Goldman Sachs, the UN, or the World Bank. And at that time each of them predicted a more or less significant increase for each member of the group (with the exception of South Africa, which became a member of the alliance later).

For example, the Goldman Sachs (GS) experts made a report on the status of the four countries and BRIC evolution in the future in 2010 ([www.imf.org](http://www.imf.org)). The GS survey is taking into consideration over 70 countries globally and it predicts that by 2050 BRIC will provide 40% of the world's Gross Domestic Product and group's member countries will be among the top six economies in the world (except the South Africa).

The GS experts also have come to the conclusion that the current BRICS member countries as well as future members of the group will achieve higher performance than the current developed economic powers (the Rich North) by 2050. If the assumptions and results of Goldman Sachs research are true, it means that belonging to a group of emerging countries and the creation of the BRICS itself proved to be a brilliant idea that will lead the developing countries towards economic progress, thanks to their cooperation, both intragroup, as well as externally, with other international economic partners.

Another research is conducted by the United Nations (UN), the results of which are presented in the "*The Situation and the Perspectives of the World Economy*" 2013<sup>th</sup> report. This highlights the sharp slowdown in the GDP growth in several major emerging economies in 2017 comparing to 2011, including China, Russia, India and Brazil. Also, the UN predicted at that time that the BRICS countries' GDP values will rank these states in 2017 in the top 10 worldwide. But this didn't happened till 2017, contrariwise, countries such Russia and Brazil have lowered two positions in the rankings.

Another possible evolution of the BRICS group is presented by professor Dinu S.-M., where the author presents the GDP values of the BRIC Member States (excluding South Africa) compared to the G3 economy, which is represented by the US, EU and Japan both in the first decade of the third millennium (2001-2010) and the second (2011-2020). (Dinu, 2010, p. 40)

In his opinion, the GDP of the BRICS group is assumed to be twice as high as the current GDP of the G3 economic triad by 2020, and China will continue to play a significant role within this group, both economically and politically. It could be noticed that China's GDP is likely to reach a net higher value than the G3. (Dinu, 2010, p. 40)

Following the analysis of BRICS's official information and its public reports ([www.infobrics.org](http://www.infobrics.org)), a moment I consider to be a turning point for the future evolution of the BRICS Group and for global financial system too, it is the 2013<sup>th</sup> BRICS Summit, when the leaders of the member countries have decided to create a new global financial institution - the New Development Bank - an idea they implemented in 2015. This bank's aim is to finance emerging and third-world countries as aid for their sustainable development, thus becoming a competitor for the IMF and the World Bank outside the Western market.

## 3. Methodology

The present study has an interdisciplinary approach, involving not only economic issues but also some specific to international affairs, regionalization and integration. The author also touched on subjects specific to international economic relations and geopolitics.

As research methodology the author used different methods and techniques such as economic analysis, comparisons, analogies and synthesis. It is an empirical and qualitative analysis and an interdisciplinary study. The basic research methods used was the method of the scenarios, the synthesis and the deduction based on the the theoretical background and the the literature review.

#### **4. The future economic evolution of the BRICS group. Benchmarking**

BRICS is an young phenomenon in the global system but it has already succeeded in establishing itself as an essential structural element in the change of the world architecture. In the short period of its existence, BRICS has been able to do many things. The Group succeeded in raising the opinion of the experts of the main western economies and also the opinion of their own national population regarding the neglect of the alliance and its relative acceptance.

This "quasi-organization" has already demonstrated its role globally, especially in terms of achieving the objectives. It is now an alliance of five states with a flexible, gradual and evolving agenda that adapts to the moment, depending on the local and international changes that take place (*Oehler-Şincai, 2014, p. 1*) with objectives and ideas the development of the bold group, with Russia and China as the pillar of the BRICS.

Intra-BRICS cooperation is very important for the future development of the five Member States and for the future of the global political and economic systems too. For this purpose, a broad agenda is drawn up and it is developed permanently, covering areas such as finance, agriculture, economy and trade, combating transnational crime, science and technology, health, education, and corporate, academic and security dialogues among others ([www.infobrics.org](http://www.infobrics.org)).

The policies initiated by the BRICS could do it a clotting center for other countries, which would make the group's share a key factor in the decision-making process in G-20 meetings, for example. This, by default, could reduce the political influence of the G-7 group worldwide. If the above-mentioned evolution is to take place, this collaboration can get the outlines of a "collective leadership of the world", which would create serious problems for the US foreign policy as well as that of the European Union. (*Tămaş, 2012, p. 138*)

The forecasts for the future of the BRICS group and the views on its evolution up to 2050 are different and divided, as it was presented before too. Thus, the study leads us to anticipate some possible scenarios regarding the future evolution of the BRICS, which present both the horizontal and vertical development of the organization.

##### ***Scenarios on the future BRICS horizontal evolutions***

1. **BRICSA:** With the beginning of the BRICS new summit cycle, Argentina was invited by Russia for the first time to take part in the South African Summit that took place in 2018. Although this is not yet equivalent to membership, it is still a first step towards joining the alliance. Argentina is another emerging country with a development potential, rich natural resources and a developed agricultural sector, which is very close to the US and it is neighboring Brazil too. Analyzing the current situation, the BRICS actions along its existence, the medium and long-term objectives of the group and the example of South Africa's joining the alliance, Argentina might be supposed to become the new BRICS member by 2020.
2. **BRIMCS:** According to some forecasts, BRICS will continue to expand and to increase membership by joining Mexico (it has been spoken from the beginning of the creation of BRIC about a BRIMCS potential), Indonesia, Egypt, Jamaica, Nigeria and Turkey to the group, the latter being a country that tries to integrate into all strategic groups and alliances that can guarantee high security (*Shapenco, Nureyev, Korovkin & Ontoev, 2014*).
3. **The Alliance of Emerging Countries (AEC) / BRICS+ / BRICS Plus Alliance:** The intention of BRICS about expanding horizontally in its near future it is also evident from the BRICS actions and statements at the China Summit in 2017, when it was started *The BRICS Plus Initiative* ([www.dirco.gov.za](http://www.dirco.gov.za), *10th BRICS Summit*). The initiative was presented at the summit and to the mass media as a "Dialogue with Emerging Markets and Developing Countries" and it represented the expressions of paragraphs 6 and 7 of the Sanya Declaration, where the leaders of the BRICS members, have expressed their intention to: "*enhance the voice of emerging and developing countries in international affairs globally and strengthen cooperation for joint development*" (<http://en.kremlin.ru/supplement/907>, *Sanya Declaration*).

At the 10th Summit to be held in Johannesburg, South Africa, through *The BRICS Plus Initiative* there were invited as guests the representatives of the following emerging countries:

- Argentina, as the Chairman of the G-20 Summit hold this year and as an influential member of the Southern Common Market (MERCOSUR);
- Indonesia, as the Chairman of the New Asia-Africa Partnership with South Africa and as an influential member of the Association of Southeast Asian Nations (ASEAN);
- Egypt, as the Chairman of the *77 + China Group*;
- Jamaica, as the next Chairman of the Caribbean Community (CARICOM);
- Turkey – the Chairman of the Organization for Islamic Cooperation (OIC);
- The Secretary-General of The United Nations.

As a result, it is easy to predict a new scenario of the horizontally development of BRICS. Thus, BRICS could become one of the most influential alliances in the global market by 2025, in addition to the four founding states and South Africa, including countries such as Argentina, Jamaica, Indonesia, Egypt and Turkey. As a model for the successful management of any cultural issues which could intervene in this new possible alliance, Russia could chair them due to its rich history and experience on multiculturalism.

Another scenario implies that countries such as Colombia, Indonesia, Vietnam, Egypt and Turkey will join the BRICS. Unfortunately, from a political, social and security point of view, this scenario could be compared to a “bomb” of poverty, revolutions, rebellions and social problems, all of these countries having internal political and social problems. ([www.dirco.gov.za](http://www.dirco.gov.za), *10th BRICS Summit*).

Also, if this scenario is confirmed, BRICS would find it difficult to achieve its peace and security goals around the world by eliminating terrorism and reducing drug trafficking. But, at the same time, this alliance could lay the foundations for a global discussion and action platform in these social areas.

#### ***Scenarios on the upcoming vertical evolutions of the BRICS group***

Following the analysis of the current BRICS situation, of its evolution on the world market, the factors influencing international relations, as well as the objectives and actions already undertaken and proposed, I could assume the future evolution of the BRICS group in terms of another five possible scenarios, which is as follows:

**A.** BRICS - a modern mechanism for international integration and cooperation between states, without affecting the sovereignty or prosperity of any member country; on the contrary, one that opts for the prosperity of each state within the union (“The BRICS Phenomenon”, “The BRICS Mechanism”). The BRICS Group will maintain its status of “quasi-organization” and “club of emerging countries”, which meet annually to discuss the agenda of other countries or supranational alliances.

**B.** BRICS will increase its own ability to influence the Global Agenda through its soft resources and agents, by using policy integration tools such as increasing membership through coercion, building political alliances, the attractiveness of its members’ culture, their education systems and thanks to the investment and business opportunities.

**C.** The BRICS group will represent a step forward for a positive economic growth and for the deepening of trade relations between its member countries by enhancing their economic integration and by building a fully-fledged economic union, both horizontally and vertically. Due to the growing economic power of the group, this union will be able to find answers to the challenges faced by emerging member countries.

**D.** BRICS will not only pursue economic integration, but also political and financial ones. Economic integration, if it were to grow to a certain level, will allow members to enjoy sufficient global competitiveness and to face the actual humanity’s problems.

## **5. Conclusions**

The role of Brazil, Russia, India, China and South Africa (BRICS) as actual protagonists in the international development of the cooperation process is changing significantly and rapidly. Over the past decade, the BRICS countries have increased their financial and technical assistance and they have established separate ways and means of economic cooperation, especially through South-

South cooperation with low-income countries for gaining greater political influence at the international level.

Also, there are currently some advantageous conditions for deepening the cooperation between the five member states of the actual BRICS in the most diverse areas. Representing an efficient mechanism without a rigid structure, the BRICS platform allows discussion and analysis of the intra-BRICS issues, despite significant cultural and economic differences and even though the fact that each country has its own political agenda. Thus, it is also necessary to take seriously a possible vertical evolution of the group, by intensifying their economic integration and building a fully developed economic union.

In conclusion, the weight of the BRICS in the global economy is very important. The alliance of this five emerging states could prove to be a successful one, with a prosperous future. This success has a significant role to play in both the further development of the five member countries and for the world economy in general too, due to the growing influence it exerts in the region, and in the rest of the world. This is given especially to the model it provides for other emerging and for the less developed countries.

However, in order to achieve these performances, developing countries (especially the BRICS one) need to continue now to liberalize their external trade relations, both at regional and global level. There is a need to continue to invest in social sectors such as education, R&D, tourism or health. And last but not the least, they should review some policies on their political relations externally.

As future research directions we could take into consideration a deepening study of the vertical BRICS integration and the role of the membership of each of the five member countries on the global economic system. The BRICS group is a phenomenon that needs to be researched more in-depth; it is an important part of the world's financial future market and of the international political and economic systems.

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