

The BRICS – Evolutions and Trends as Seen from Neutral Economic Standpoints

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Abstract — The BRICS area has a remarkable economic potential, both due to the amount of natural resources and the number and quality of the human resources, as well as due to the wide territory it encompasses. Even if the states included in this group – all of them emerging economies – have recorded a fast paced growth as compared to advanced industrialised countries, we can still not claim that there are any undeniable merits of ‘a BRICS’ as seen from an institutional standpoint or in terms of a cluster of countries regulated by a stable legal framework (with founding and operating treaties, secondary legislation, managing bodies, etc., like the European Union, for instance). There is still a lot of work to be done in this respect, as the assignments are rather burdening, first of all for the political and economic players in this area. However, the present paper is meant to reveal that the optimum operationalization of the BRICS highly depends on the research activity being conducted. In this respect, we will provide certain reasons for the importance of this topic that has been rather recently tackled by R&D structures, but we will also highlight those sub-topics/issues that are still pending and are to be approached in a short term by the academic research community.

Keyword — emerging economies, growth, crisis, institutional system, R&D, economic research.

1. GENERAL CONSIDERATIONS

After more than a decade since the idea of BRIC [1] first started to take shape, we cannot yet argue that the economic research in this respect would even come close to being satisfying. This statement is supported by the fact that there are various issues deriving from this area, which are rather ambiguous and whose resolution cannot be delayed for too long, given the mutations and the trends currently affecting the global markets [2]. Certainly, the professional literature that has tackled the subject [3-10] brings forward several aspects, seen through interesting perspectives, but the said analyses

cannot be even by far considered as exhaustive of the subject. As far as we are concerned, our study focuses on a synthetic an approach as possible of the most significant elements in the context of the BRICS issue.

2. BRICS: NEED AND VIABILITY

The five member states of the BRICS alliance (Figure 1) are believed to be emerging economies and are usually associated with countries that used to have underdeveloped economies but subsequently recovered and have started to accumulate wealth – accompanied by important structural changes on an economic and social level [11].



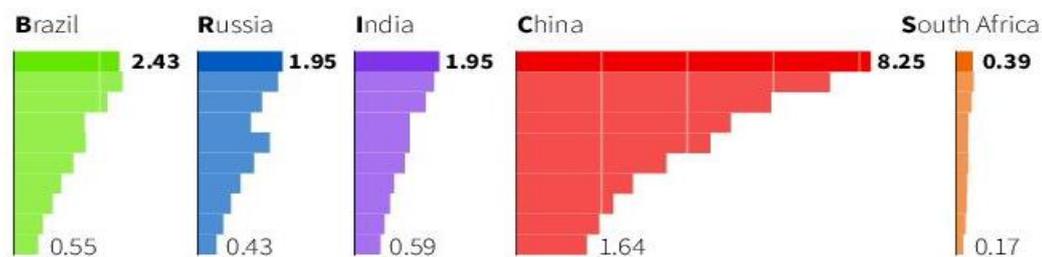
Figure 1. The BRICS member states
 (Source: <http://brics-cci.org/>)

The delineation of the BRICS area [12, 13] springs from the need for an adequate framework for dialogue and cooperation, with a view to reaching the objectives that go beyond national and regional borders. It is also meant to foster a dynamic economic growth, based on an increased collaboration between these states. The principles that have been taken into consideration and have been reiterated in the common statements are: peace, security, development, cooperation and the creation of a more equitable world. The initial moment when emerging economies joined forces was in 2003, when the IBSA Dialogue Forum was created (India, Brazil and the Republic of South Africa), and subsequently, in 2009, the annual meetings of the world’s

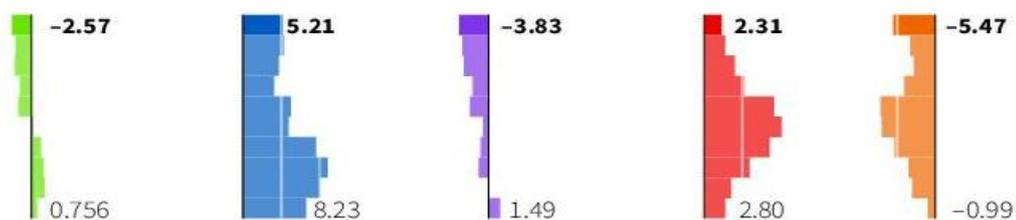
most powerful emerging economies have begun: Brazil, Russia, India and China (BRIC); in 2011, BRIC became BRICS, through the arrival of the Republic of South Africa. Together, these countries are inhabited by about 42% of the world's population and – what is even more important – 25% of the world's [14] (in detail - GDP/2012/ Current Prices/ billion US\$: Brazil - 2253, Russia - 2007.2, India - 1743, China - 8226.9, South Africa - 384); per Capita GDP (Current Prices/ US\$ 2012) is allocated as follows: Brazil - 11463, Russia - 14015, India - 1440, China - 6091 and South Africa - 7790 [15]. If we consider the fact that they also account for 18% of the global trade, attract 53% of foreign capital and

contribute 45% to the world's overall economic growth, we can certainly state that the group constitutes a global player that should be taken into account from an economic standpoint [16]. It was otherwise argued many years ago that this was a dynamic cluster of the world's economy [17, 18], both for the present and particularly for the next half century or even more. The economic development in the member states of this – still informal – group, can be described within the parameters presented in Figure 2, which shows that they have managed to reach particular rhythms of economic growth by means of the policies they have initiated.

GDP in US\$ trillion, current prices



Current account balance as % of GDP



Government debt as % of GDP

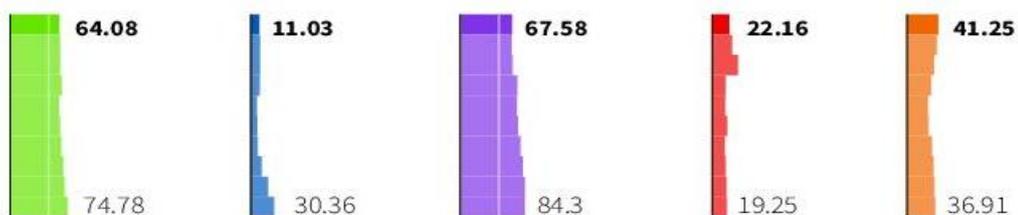


Figure 2. BRICS - Growth in the period 2003-2012 (GDP in trillion USD, current prices, cf. IMF, 2013)

Overall, the BRICS countries have been more prepared for the financial crisis that had started in 2007 [14], and their economic growth rates have been above average [19], in contrast with the growth rates of developed countries. Subsequently, the availability of sufficient resources needed to finance investments has allowed them to handle more easily the sovereign debt crisis of western countries. In 2012, the trade between BRICS countries had already reached a total of US\$ 282 billion, with a spectacular increase of over 10 times in 10 years,

from a mere US\$ 27 billion in 2002. The important development of BRICS on an international level is also revealed by its increased weight in the flow of foreign direct investments, both as a source and particularly as a destination; the FDI inputs in BRICS countries have tripled during 2002-2012, reaching a total of US\$ 263 billion in 2012 [20]. On the other hand, certain forecasts [21, 22] are particularly optimistic about the parameters that would be reached by the BRICS economies (Figure 3). Moreover, forecasts made by Goldman Sachs show

that ‘by 2050, the BRIC economies will be among the top five global economies, and only the United States will still maintain their position in this ranking’ [23]. However, despite all these positive aspects we have outlined so far, the favourable economic circumstances

of the previous years and the above mentioned forecasts are not exclusively due to the mentioned association. As shown in Figure 3 (the interrupted line) the economic growth of the countries under concern had begun long before the inception of the idea of BRIC(S).

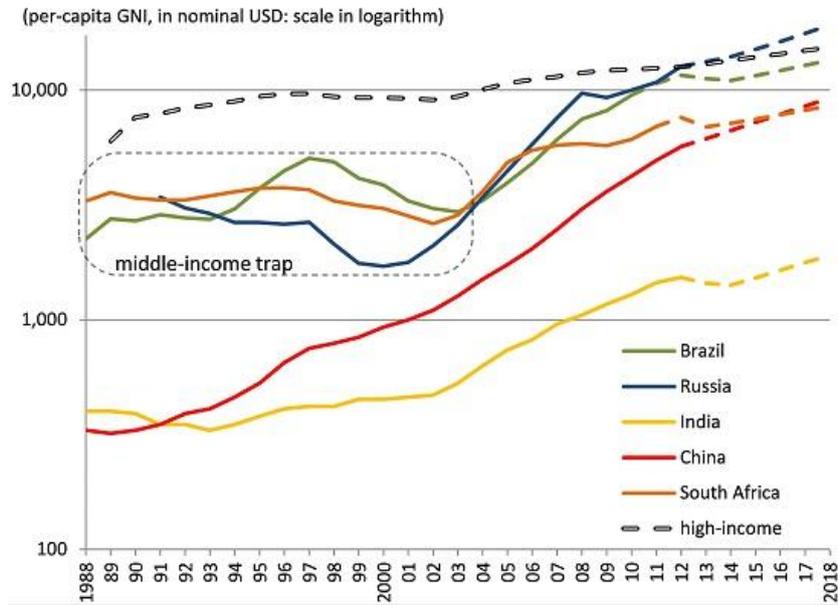


Figure 3. The growth rates of the BRICS countries (interval extension, with forecasts until 2018) [24]

Therefore, if we take into account the arguments of several world-class economic researchers [25-33], but also relying on our own research, we would like to insist on the priority issues that must be solved in order to reach the BRICS objectives – on a long term as well – while also trying to raise awareness in the academic community on the importance of approaching this topic in their future scientific endeavours.

3. THE OPTIMUM OPERATIONALIZATION OF BRICS, IN THE HANDS OF BOTH POLITICAL AND ECONOMIC PLAYERS, AS WELL AS RESEARCHERS

Even if the group of emerging states/ economies we are referring to here has recorded outstanding results in terms of economic growth, we still can't make any absolute assumptions on the undeniable merits of 'a BRICS' seen from an institutional standpoint [34] or in terms of a cluster of countries regulated by a stable legal framework (with founding and operating treaties, secondary legislation, managing bodies, etc., like the European Union [35], for instance). However, we believe there are rather numerous steps to be taken – at least 3-4 years – in order to create a complete institutional framework and functional/ efficient specific structures. The annual rounds so far [36] have outlined a rather vague picture of the financial system reform, of the application of the international principles and standards, the prevention of

breaches in state governing, social or economic modernisation or economic independence, etc. We believe that throughout the following period, reference must be made to more concrete elements that would foster the completion of the common interests of the BRICS member states. Looking back at the summits organised by the group [37, 38], we have noted the initiation of certain steps towards reaching those interests, but the actual completion of those steps is rather moderate. One very important community instrument – BRICS Development Bank (the leaders from Brazil, Russia, India, China and South Africa reunited at Fortaleza/Brazil, have recently decided that the bank headquarters should be in Shanghai, while the chairman should be appointed by India during the first year; initial capital: \$ 50 billion) [39], is waiting for the right moment to actually collect financial resources from all five countries in order to support common interest projects, mainly focusing on infrastructure and sustainable development, that would contribute to economic development, increased commercial exchanges between the member states and their increased involvement in international trade [19]. The reserve fund for emergency situations – that has been announced as a “backup arrangement for unforeseen situations” – will amount to \$ 100 billion and will help “avoid short term liquidity pressures and will further promote the BRICS cooperation, consolidate the financial security global network and add to the existing international agreements”

[40]. Clearly, things in the banking-currency area are far from simple [41]. In this context, the climate can become rather propitious for Research and Development (R&D) activities, since the BRICS Development Bank analysis are to be connected to the R&D entities functioning in the best universities of the BRICS countries [36]. The explanation consists in the fact that, given the concerns of the founders and partners of the bank to make appropriate decisions for granting loans, the topic of access to information becomes very important. This entails the massive support of R&D activities and publishing the scientific research findings in certain areas, such as: IT, infrastructure, energy and biotechnological efficiency, environmental protection, etc. Staying in the same financial sphere, we would like to reveal that it is equally important to take certain actual steps as concerns the Agreement to extend lending opportunities in the local currency as part of the BRICS Inter-banking Cooperation Mechanism, as well as in terms of an Agreement on the Possibility of Multilateral Confirmation of Letters of Credit between Export-Import Banks and Development Banks from the five partner countries [42]. In our opinion, beyond ideas, projects, actions and decisions directed at the institutional components of the BRICS countries, meant to assist the political and economic players, and if we were to consider other endeavours to create state groups with similar objectives to those of BRICS, the researchers community – especially those in the areas we are referring to – should further look into those issues that would enable the creation of a complete institutional framework and functional/ efficient specific structures. Among these, researchers from several fields of study – economic, juridical, and technical – should first approach issues related to monetary, commercial, fiscal-budget, management/ decisional and sustainable development policies, all directly related to the objectives of the state union under analysis, in order to facilitate the optimum operationalization of BRICS. Clearly, it is particularly important for the policy makers to take into account and adequately implement the R&D findings, as this will heavily influence the success of the ‘BRICS project’ that is about to take part in a rather tough worldwide inter-block competition (USA, EU, etc.).

4. CONCLUSION

Far from being an extremely institutionalised association, the BRICS group not only handled the financial crisis of 2007 much better than others, but had and still has economic growth rates that exceed those of several advanced industrialised countries. Subsequently, having allocated sufficient resources needed for funding investments, the group has easily handled the sovereign debt crisis of western states. Additionally, certain reliable forecasts indicate notable growth rates, as BRICS will

become a dynamic cluster of the world’s economy. Our argument here is that in order for the economic development in this area to be *absolutely sustainable*, things should not be left exclusively in the hands of the political factors and the scientific research findings should not be overlooked. Therefore, our opinion is that the issues related to the BRICS group must be approached by the academic community as research topics/ sub-topics, alongside the experiences of other countries that have been part of similar groups/ associations. The lasting success of BRICS entails measures that have a scientific background and any failure should be avoided if the policy makers become aware of the fact that the fate of almost half of the world’s population depends – either directly or indirectly – on this political-economic megaproject.

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