



THE BRICS ECONOMIES-A NEW ORDER

Social Science

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ABSTRACT

The globe is changing becoming increasingly multipolar due to the formation and emergency of the BRICS group. In spite of border disputes BRICS cooperation witnessed that group is strong enough to reform the economies and has performing as engine of global growth. The western hegemony and United States (US) influence is fading away due to Global Financial Crisis and lower Gross Domestic Product (GDP) growth and stock markets performance. This is the only a group came into reality as a cooperation from the Jim O'Neil reports. The reports on BRICS are the best empirical proof that these economies are performed better than the report speaks. The strength of the BRICS is very high in human resources as well as in natural resources and now in the equity shares.

KEYWORDS

New Development Bank (NDB), Follow-up Report, and Emerging Market Equity.

Introduction

The BRICS group has completed a decade of its existence. The 9th annual summit held at Xiamen town of China has reviled the strength of the cooperation. Just before the summit, its two leading member's countries China and India had a border dispute at Doklam in Bhutan. Many analysts have predicted the war between two nations but India was reserved in decision and ultimately good sense prevailed and diplomacy succeeded as both countries decided to take back their troops to their former position. This is doesn't mean that Brazil, Russia, India, China, and South Africa (BRICS) cooperation is ineffective due to border and other dispute. Since the foundation of BRICS or since a decade, BRICS has tried to articulate an alternative vision of growth in the world, which is multilateral, and inclusive. All five are members of G-20 and these nations have been assembling annually in formal summits and came out with cooperation in different areas. The setup of New Development Bank (NDB) and Contingency Reserve Arrangements (CRA) and BRICS business council is a sign of new order in the globe. The NDB is offering soft loan for the sustainable development project in comparisons to International Monetary Fund (IMF) also, it has promoted to meet the balance of payment problem of BRICS countries through CRA. It is estimated that the five members of the BRICS have a combined population of 3.6 billion, which is 42 percent of the world population. And the combined GDP of the five members is 18 trillion in 2015, which is 25 percent of the world GDP, holding more than 4 trillion stock piles of Foreign Exchange Reserves, leading in the growth rate compare to advanced countries. In addition, all the BRICS members are also the members of G-20, which plays a significant role in the managing the global economic and financial affairs. The following table brings about the strength of the BRICS in the Global race.

Table: 1. General information on BRICS economies

Country	Geographical area of territory (1000 sq.km)	National Currency	Human Resource	PPP GDP billion US\$ (bn)	HDI Rank (2017)	GDP Growth Rate	Forex Reserves in billion and trillion (trn)(2017)
Brazil	8516	Real	207,682,865	3,423,0 bn	0.754	0.2	362,744 bln
Russia	17098	Rouble	143,964,513	3,987,0 bn	0.804	1.1	358.500 bln
India	3287	Rupee	1,324,171,354	9,656,3 bn	0.624	6.5	398.131 bln
China	9600	RMB	1,403,500,365	23,543.04 bn	0.738	6.7	3,899,285 ⁷ (trln)
South Africa	1221	Rand	56,015,473	771,9	0.66	0.1	47,190 bln

Source: BRICS Joint Statistical Publications-2016.

*Trillion dollars.

The objectives of the study

1. To study how the BRICS came into reality by Goldman Sachs study.
2. To analysis the first follow-up report and its prediction to study the second follow up report.
3. To study the report on the emerging Mark Equity in a decades.

The Development of BRICS - A reality

BRIC group is a newly established cooperation group of four rapidly emerging economies of the world. With the entry of South Africa in 2010, it came to known as BRICS. Actually it came into being in 2006 itself. The first BRIC summit was held in Yekaterinburg in Russia in 2009. The basic idea for forming the group is that its members have the similar possible for economic growth to that extent that it catch-up with the economies of US and other leading advanced economies. The term BRIC was created by Jim O' Neil, former chairman of Goldman Sach and also an economist. He predicted that the four economies of their world would become leading economies in near future and surpass the G7 countries by 2050. However taking clue from the idea given by O Neil, these economies organized a group under the label of BRIC in 2006. They have come together to increase their political and economic cooperation to influence the US and other major advanced economies on global issues. The BRICS cooperation has appeared to challenge the western domination of the US in the management of global economic order. In the initially BRICS was concerned with the economic issues related to mutual cooperation and management of international financial matter, but in later its focus have extended to cover political issues too. In view of the global financial crisis, BRICS has assumed prominence.

The research work of "Dreaming with the BRICs: the path to 2050" has elaborated and explored in a different reports published by Goldman Sachs from time to time. The first in the series of these report argued that Brazil, Russia, India, and china have emerged and modified their structures and policies in according with global governance. The report proposes that China and India are emerging as the dominant producers of goods and services, while the Russia and Brazil emerged as the dominant suppliers of raw materials. With the exception of Brazil none of the Russia, India China has capacity to become absolute advantage in the production of and supply of resources at the same time. Therefore the complementarity nature of these members, it would be best to cooperate with each other for their mutual growth and development.

The Reports and BRICS

The report of follow-up, (2004) the report has considered upon the nature of internal economic changes, which are likely occurring in the BRICs in near future. The report projected that, within three years, the combined number of people with an annual income over US\$3000 will be double in these economies and reach 800, million people within a

decade. The report also predicts an increase in the size of the middle class in these nations as the number of people with an income of more than US\$ 3000 will reach to 800 million in these countries after a decade. However the report also states that due to less population in the present developed economies, the average level of developed economies would be more in comparison of BRICS countries.

The report also highlights certain potential drawbacks of BRICS countries like India's inefficiency in energy sector. In spite of lower per capita income in BRICS countries, their huge population will result in higher growth in the manufacture of goods. Both India and China have already made a significant progress in the production of manufactured goods.

The Second follow-up report by Tushar Poddar *et al.* (2007), observed that it is primarily concerned with the discussion about Indian growth potential in the future decades. The report comments a positive and bright note on India's future growth. The report highlights the important areas of research and development, and their expansion in India. It will lead to the prosperity of the poor and middle class families and reveals that India has 10 out of 30 fastest-growing metropolitan towns in the world. The report says that the 700 million people in India will move to cities by 2050. These will raise the demand for urban infrastructure, real estate and services, leading to faster economic growth than earlier forecasts. And it also revised its prediction that India would overtake the US by 2043 in terms of size. Also, the combined GDP would exceed the combined economies of G-7 in the succeeding 25 years.

BRICS and Market Equity

The Emerging Market Equity in two decades: a changing landscape 2010- this report deliberates upon the financial conditions of BRIC countries in the coming decades. The report states that China might overtake the US in equity market capitalization by the year 2030. China is likely to emerge as the single largest financial market in the world by the time. This prediction is primarily motivated by the ongoing financial crisis in the West and in the US. It should be noted that both China and India are relatively less affected by the financial crisis. At present China is the largest investor in US treasury bills, the report also notes that the combined financial strength of BRIC economies will account for 41 percent of the world's market capitalization by 2030.

The New York Times reported that, "After three decades of spectacular growth, China passed Japan in the second quarter to become the world's second-largest economy behind the US". In March, 2011, according to the Forbes report. It finds that for the first time BRICS countries have surpassed Europe in terms of total number of billionaires. This indicates that the level of wealth generated in emerging economies. Daniel, M. (2016), analyzed that financial markets in the BRICS economies have expanded rapidly. For example, in the past two decades until 2010, Brazil market capitalization increased from a very low 4 percent of GDP to 74 percent, India from 12 percent to 95 percent, Russia and China from almost zero to 70 and 82 percent respectively. It therefore follows that these economies became the new engines of global growth and promoting financial stability.

Conclusion

After the decades of inception of BRIC, the performance of the group is remarkable in all-around matters, including political issues too. It is viewed that the group is outperformed by empirical reports and it came into reality by predictions of the BRIC term author Mr. O'Neil. The group has been balancing the Western dominance and the US in the global affairs. Thus, it has been trying and articulating a complimentary vision of multilateral global order. The increases in the size of the middle class in these nations as the number of people after a decade is a sign of success of the cooperation and policy reforms. The countries like India are also surpassing the US, is one of the big strides for BRICS Cooperation in addition to this the group formed two new institutions to showcase the strength of the emerging markets' role in international finance, trade and services. Similar to the Bretton Woods institutions. The countries like Russia, India, and China (RIC) have all kinds of potential to surpass the G-7 countries in the near decades.

3. The Group of Seven (G-7) is a forum of the world's seven most industrialized economies. The group includes France, Germany, Italy, Japan, the United States and the United Kingdom; Canada
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¹ The G-20 founded in 1999, is an international forum for the governments and central bank governors

² Neill J. O. (2001). "Building Better Global Economic BRICS". Global Economics paper Gs Global Economic Website, Goldman Sachs, pp. 1-15.