ABSTRACT

The rise of the BRICS nations over the last few years has been nothing short of phenomenal. A direct response to a growing discontent amongst emerging economies with regards to the existing global financial architecture inclusive of the IMF and the World Bank and the need to closely affiliate with fellow developing nations on a similar growth curve; underlines the existential objective of the coming together of the BRICS on an international organizational platform. The establishment of the BRICS and now subsequently the New Development Bank (NDB) signifies the rapid shift in soft power and global influence to these emerging economies; a reality that the developed states are not oblivious to. Amongst the many factors that have been responsible for the growing dominance of the BRICS, there are two that are often not accorded the attention that they merit. Increasing domestic populations driving internal demand and consequently, consumption and increased individual and cumulative investment in R&D at multiple levels have provided the BRICS with an almost palpable competitive advantage in today’s global economic scenario. In essence, the New World Order of emerging nations has arrived and the multiple collaborative initiatives of the BRICS promise to continue to shape the changing international landscape.

Keywords: BRICS; Emerging Economies; Competitive Advantage; Consumption; Dominance; Global Influence; New Development Bank; R&D

INTRODUCTION

A little over two decades ago, when the current Asian behemoths in China and India embarked on their respective paths of socio-economic growth; one could hardly predict the stunning stories that these highly populous countries that account for almost 36% of the world’s population; would script down the line. The fact that the likes of Brazil, Russia and subsequently; South Africa have shown vitality, resilience and ambition to take their rightful place in the world has augured well for the clan of emerging economies. These five nations – the BRICS – continue to slowly but surely exert an ever-increasing influence on the global economy; especially in the prevailing scenario. Saturated domestic markets, aging populations, stagnant growth, dwindling exports and the mistake of often browbeating the smaller emerging economies appear to have collectively undermined the once significant socio-economic clout of many a developed country over the years. The economic crisis of 2008 and its subsequent spillover effects have wreaked almost irreparable systemic damage on such economies where recovery has been tragically slow.

Set in this backdrop, the BRICS have chosen to seize initiative and are looking to drive home their advantage. Many factors have collectively contributed to the rise of these states. However, there remain an equal number of factors that possess the potential to derail their growth stories. It is in the best interests of these nations to extend their collaboration across multifarious critical sectors such Agriculture, Healthcare and Education (to name a few) in an attempt to uplift larger sections of their
populations from the throes of poverty and unemployment and in turn, place them in the productive cradles of inclusive and sustainable growth where opportunities to secure a decent quality of life abound. Set in this background, the recent founding of the New Development Bank (NDB) will go a long way in reducing dependence on the existing financial and institutional aid architecture; inclusive of the IMF and the World Bank; and also offer a more feasible alternative for the financing of pivotal developmental projects. It is imperative for these nations to leverage the competencies and permissible resources of each other in an endeavour to further their collective interests. The onus now lies on the developed world to effectively partner with these fast developing nations to stimulate their own flagging economies into some sort of action.

OBJECTIVES

The following are the research objectives of this Article:

1. To highlight the growing socio-economic and cross-regional dominance of the BRICS nations over the years (especially since 2008)
2. To identify the key reasons behind the coming together of the BRICS nations on the international arena on a collaborative level and delineate its significance to the developed economies
3. To outline the two key understated factors directly responsible for the socio-economic rise of the BRICS
4. To examine the potential role of the New Development Bank (NDB) and certain unanswered questions regarding its operations
5. To briefly touch upon the individual potential problems that could derail the collective growth story of the BRICS

From an Acronym to a New World Order

When Goldman Sachs’ Jim O’Neal initially coined the BRIC acronym in 2001 to highlight the growing global influence of a cluster of promising emerging economies; little did he know that those very nations will soon make the world take note of their magnifying socio-economic and geopolitical clout; embodying a self-fulfilling prophecy. Since formally conflating in 2009 and following the inclusion of South Africa in 2010, the BRICS nations have traversed a chequered path towards collective regional and global dominance. The fact that five socio-culturally diverse, politically distinct and geo-strategically and economically disparate nations have forged a mutually productive alliance is indicative of two realities. Firstly, it indicates the growing discontent of developing nations with the existing skewed architecture of global financial and aid providing institutions and the prevalent state of economic governance. The notion that the requirements and direction sought by these emerging nations is often divergently different and met with scant regard has been a powerful uniting factor. Secondly, it highlights the rapid shift in socio-economic and soft power from the developed countries to the emerging economies and their proclivity to now remain in a position to dictate terms in a multi-polar world. Set in this backdrop, it is imperative to examine the growing dominance of the BRICS in the past decade.

Accounting for a quarter of the world’s land area, over 40% of its population and 30% of its total GDP; across three disparate continents; the position of collective potential global dominance enjoyed by the BRICS nations is now indubitable. The fact that the combined share of the BRICS’ contribution to the world economic output rose from 16 to 22% between 2000 and 2008 lays the foundation for an epic collective growth story. A perceptible transition from being an agrarian economy, improved performance of the manufacturing and service sectors, increased share in world trade and enhanced cross-regional and geopolitical influence have spurred unprecedented growth in the BRICS. The global economic meltdown of 2008 and the resultant recession have slowed down these juggernauts to some
extent. But they have also displayed the institutional tenacity and systemic discipline required to insulate themselves against unrecoverable catastrophe and realign their growth expectations.

Source: Goldman Sachs

The World’s Largest Economies by 2050

Dual Drivers of Socio-economic Success

There are two crucial albeit downgraded factors that are responsible for the rise of the BRICS. For starters, the spectacular rise of the middle class; particularly in India and Brazil – pegged at over 200 million (and counting) each – continues to fuel domestic consumption, shape global demand and spur economic expansion. Estimates suggest that by 2030, the global middle class population will balloon to 5 billion. The fact that large swaths of this populace will hail from emerging economies merits consideration from policymakers, marketers and industry analysts alike. Secondly, in an endeavour to develop a sustainable competitive advantage, the BRICS continue to invest heavily in Science and Technology. Notably; China, India and Brazil have collectively accounted for a significant increase with regards to scientific research investments and research publications. Since 2002, the global expenditure on R&D has swelled by over 45% to over USD 1 trillion. In the past decade, the likes of China, India and Brazil have more than doubled their spending on R&D; raising their collective share in global R&D expenditure from 17 to 24%. This signifies the rapid technological and operational advancement that continues to strengthen the bedrock for further economic development.

Source: Goldman Sachs
The New Development Bank: Questioning the Status Quo

The founding of the BRICS New Development Bank (NDB) on July 15, 2014, is yet another seminal event in the evolution of enhanced cross-regional monetary and non-monetary influence being exercised by the emerging economies in an attempt to shed the baggage of an existing prejudiced global order. This further reinforces a duality. One; it marks a direct response to the BRICS’ repeatedly failed efforts to enhance their influence within the IMF; central to the Bretton Woods monetary order created by the USA and Europe. Two; it offers China and India the opportunity to exercise their leadership position on a global stage and signal their diminishing dependence on the existing state of affairs. Set in this backdrop, the NDB is poised to play a critical role as a facilitator of greater financial and developmental cooperation at a macro and micro level amongst these states.

Unanswered Questions and Growth Prospects

On the one hand, the objective of the NDB is to reduce the dependency on leading global currencies such as the USD and Euro; while on the other, there is no clear indication as to which national currency from the founding members will take precedence in transactions. This could also further fuel the regional race for supremacy in the Asian theatre between India and China. Is there scope for the establishment of a single currency that can substitute national currencies while being simultaneously considered strong enough to compete with other global currencies in the international arena? Is the possibility of a monetary union of emerging economies a veritable reality? These are pressing questions that certainly provide food for thought and become pivotal to the long term success of the NDB.

With regards to the BRICS, decelerating growth over the last three years and future growth prospects are attributed to various factors for each of these nations. While Brazil attempts to cope with a more empowered middle class that demands better government services; Russia’s growth prospects are undermined by dependence on energy exports. While India combats to reduce its massive current account deficit fuelled by energy imports and food subsidies; China finds itself in the throes of a transition from an export dependent to a domestic consumption oriented economy. Dwindling global demand and energy scarcity also pose potential hurdles. In this scenario, the creation of a BRICS Energy Consortium assumes greater significance, with Russia and Brazil being net exporters to feed the colossal demand from China, India and South Africa collectively.

The “BRICS” of potential success have been laid. It is now a matter of constructing a collaborative, productive and sustainable future.

CONCLUSION

The BRICS nations have blazed a disparate and collective trail all of their own; creating successful growth stories worthy of emulation. Having charted a steady course of progress under the shadows of the developed economies for far too long, the fact that these emerging economies have decided to come together in an attempt to safeguard and promote their interests in a multi-polar world is symbolic of their growing global dominance and quest for further socio-economic power. The establishment of the New Development Bank (NDB) is yet another proactive step in that direction. Instead of being weary of the rise of the BRICS and a coterie of other rapidly emerging economies, developed countries ought to view them as integral partners in re-starting their own individual growth trajectories. The balance of power has shifted and will continue to as long as these economies continue on their developmental juggernaut. The wheels of unbridled socio-economic and political progression are in motion; the challenge for the BRICS now is to sustain this pace of growth in the face of the continuing global economic recovery that can be termed as sluggish and conservative at best.

Each of these countries is blessed with its own set of strengths and weaknesses. The manner in which the BRICS leverage these same strengths and potential opportunities in the offing will determine the future efficacy, productivity and cross-continental influence of their collaboration. For now, these
nation states have given other developing countries the hope and confidence to temporarily loosen the noose of pressure that they are often subjected to by the developed countries.

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