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BRICS: PROSPECTS AND CHALLENGES



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ABSTRACT

The goal of this essay is to identify and debate whether the BRIC nations' role as a pillar of the global economy is still relevant. The difficulties the BRICS nations are having, as well as to research India's position within the group. BRIC nations are still viewed as alternate markets that would support growth in the current economic climate. Participating in the BRICS markets can nevertheless provide international enterprises and investors with worthwhile learning opportunities, notwithstanding the few flaws that have been discovered. In order to establish themselves as the centre of global economic growth and offer more than simply low cost and alternative investment options within a risk-return framework, BRIC countries will need to address structural issues.

KEYWORDS: Economic development, growth, and global economy.

INTRODUCTION:

The term "BRIC," which stands for Brazil, Russia, India, and China—the four then-fastest-growing developing economies of the world—was first coined by Jim O'Neill, head economist of the American firm Goldman Sachs, in a paper titled "Building Better Global Economic BRIC" in 2001. According to Goldman Sachs (GS), these four nations have the growing potential to overtake the European economy in terms of market size when taking into account factors like population size, the demographic dividend, and the rate of globalisation. By 2050, according to GS's forecast, China's, India's, Brazil's, and Russia's economies will rank first through sixth in the world, respectively. However, the first meeting of the foreign ministers of Brazil, Russia, India, and China in New York in September 2006, which took place in conjunction with the UN General Assembly, marked the official establishment of the "BRIC" as an international platform. South Africa joined this forum later in May 2011 (the third BRIC summit), and 'BRICS' was created.

Together, the five nations make up 43% of the world's population, 46% of the labour force, 30% of the planet's area, and 25% of the world's share of the global gross domestic product (GDP). In addition to enhancing their national economies through resource trade, the BRICS nations are the main resource suppliers to the industrialised world. These nations, however, are significantly different from one another in terms of their political systems and levels of development. Given that these nations had little to no prior economic ties, the formation of the BRICS was a crucial step towards a new type of global economic system. The founding of the BRICS was motivated by the member countries' long-term shared economic interests, which include reforming the global financial and economic system, bolstering the norms and standards of international law, and fostering the complementarities of many economic sectors.

OBJECTIVES

The BRICS agenda has a very wide scope. The agenda included other issues like climate change and sustainable development, food and energy security, the global trading order, Millennium Development Goals

(MDGs), reforms in international economic and financial institutions, and global and regional political developments despite the fact that it started with regular and intensive consultations on the global economic slowdown of 2008–09.

BRICS SUMMITS

BRICS has only been in existence as a platform since 2009, and in the last year or so, it has gained more and more attention in development circles. A regular event on the BRICS calendar is the gathering of foreign and finance ministers. Additionally, over the years, a number of platforms have been created for strengthening intra-BRICS collaboration, such as meetings of the member countries' ministries of commerce, finance, agriculture, health, science, and technology, etc.

In Yekaterinburg, Russia, the first BRIC summit was held in 2009. In 2010, the second summit took place in Brasilia, Brazil. The third BRICS summit was place in Sanya, China in 2011, and during that gathering, participants called for the reform of global financial institutions as well as the establishment of institutional frameworks for BRICS cooperation in the workplace through the sharing of knowledge and technology. The summit also focused on topics including food security and agriculture. The BRICS nations decided to investigate the possibility of establishing a multilateral development bank for raising funds for infrastructure and sustainable development projects in the BRICS and other emerging economies at the fourth summit, which was held in New Delhi in 2012. In March 2013, the filth summit took place in Durban, South Africa. "BRICS and Africa: Partnership for Development, Integration, and Industrialization" was the summit's central focus. The main resolution made at this summit was to encourage foreign direct investment, information exchange, capacity-building, and trade diversification in order to aid African countries in their industrialisation process. In order to support industrial development, job creation, skill development, food and nutrition security, poverty eradication, and sustainable development in Africa, infrastructure investment was encouraged with a significant focus.

The leaders of the BRICS countries reaffirmed their commitment to collaborating to achieve the Millennium Development Goals (MDGs) by 2015 and stressed that the post-2015 development agenda should build on the MDG framework, keeping themajor emphasis on human development and the eradication of poverty. However, there are worries that the BRICS' expanding trade and investment ties with less developed and impoverished nations would be used to exploit these nations' natural resource bases and syphon them off in ways that are environmentally harmful, fundamentally unfair, and of little use to the local population.

The fifth BRICS summit saw a continuation of the conversation about creating a specific BRICS bank, although it is unclear whether BRICS will be able to give this concept any real substance. There are not many similarities between these nations in terms of investment and commerce, and certain fundamental issues such the secretariat's location, the subscription amount, control and ownership, and lending policies still need to be resolved. The BRICS countries wanted to contribute an initial \$50 billion to the new development bank, but there was debate over whether payments should be made in proportion to each country's size of economy or equally by all. However, there is a chance that China would control the bank given that its economy is nearly 20 times larger than South Africa's and four times larger than either Russia's or India's.

INDIA'S POSITION IN BRICS

Given its enormous domestic market, strong democracy, diverse population, technological prowess, and investment potential, India is often regarded as a robust emerging economy. The country's economic potential should not, however, be the only factor used to compare it to other BRICS members. India is an anomaly in this group, while having several characteristics in common with the other BRICS countries, as noted by Dreze and Sen (2013). India has a per capita GDP that is smaller than that of China, Brazil, and Russia when adjusted for purchasing power parity. 2013 (Dreze and Sen). Except for India, every nation in this group has an adult literacy rate that is universal or nearly universal. Similar to how India has the lowest percentage of fully immunised youngsters when compared to the other four nations. Even while there are widespread problems with poverty and inequality in all of the BRICS nations, India is the poorest, with high inequality, low productivity employment, and a sizable informal labour market.

INDIA'S PART IN THE BRICS

The construction of a development bank and reform of the global financial system will remain on the agenda of the sixth BRICS summit, which will be held in Fortaleza, Brazil in 2014 (likely in July of this year). The group is also likely to broaden the scope of their discussions and go beyond economic cooperation. With an annual economic growth rate of less than 5%, India's current economic status is dire. Due to this, it is mainly unknown how much money India will contribute to the new development bank. Instead, by bringing up the issues of poverty, inequality, social infrastructure, agriculture, and food security, India may benefit more from this meeting. The BRICS nations' coordination and collaboration on their urgent problems could greatly aid India in overcoming some of these difficulties.

CHALLENGES TO COME

The robust development of these economies shocked many, and the BRICs themselves came into focus, therefore the equity markets of these countries outperformed strongly over the previous ten years. In 2000, values were also low when compared to several other significant markets. The same level of outperformance appears much less plausible today that the BRICs story is well known, expectations are greater, and the valuation gap is significantly narrower, even if the BRICs provide positive returns. The BRIC economies' distinct problems have been revealed by a decade of rapid economic expansion. Some such issues include: In a 2004 transparency international assessment, the BRIC nations were ranked 59, 90, 90, and 71, respectively, for business easiness. According to a 2006 poll, the BRIC countries require, correspondingly, 98, 31, 90, and 126 days to start a firm. Additionally, these nations must enhance their governance and liberalise their financial markets. India in particular has to considerably improve both the quality and quantity of its institutions in addition to its basic educational requirements. India has the lowest adult literacy rate among the BRIC nations. According to a recent survey, China and Russia have the highest rates of male literacy (almost 90%). Both Russia and China have female literacy rates of about 85%. Brazil's literacy rate for both men and women was 84%. In stark contrast, only 65% of women are literate in India, compared to 82% of men. India also needs to increase agricultural output and enhance the quality of its environment and infrastructure. Brazil, China, and India's fiscal balances, aside from Russia, are concerning.

CONCLUSION

Since a few years ago, reforms and increasing openness have strengthened the BRICs' importance in the global economy. These nations still have significant growth potential, particularly in light of their sizable and youthful populations. Maintaining strong and sustainable growth will be the main obstacle for the BRICs nations to overcome in order to close the gap in living standards with the developed market economies. The BRIC countries will eventually have to deal with some significant obstacles, and history teaches us that not all nations are equally successful in overcoming these obstacles. They are all faced with the issue of maintaining macroeconomic stability while ensuring sustainability at a high growth rate. Financial sector reforms are necessary to better manage escalating capital flows and channel local savings into profitable investments. There are many traits that the BRIC nations have in common, but there are also significant disparities. Brazil's economy will need to be opened up in order to grow its domestic savings base and finance projects, which will be a significant task. The main issues in India are increased openness, higher education, and improved infrastructure. In Russia, the task is to minimise the economy's reliance on oil and to battle corruption. Current state-owned enterprise and bank reforms in China will be given top attention. In the long run, the BRICs are likely to hold onto their comparative advantages. By ensuring relatively high growth rates, this will increase the share of these economies in the global economy. However, the possibility of rapid growth to continue will depend on a number of important elements, including sound and stable macroeconomic and development policies, the creation of powerful and capable institutions (including political), the advancement of human development (better healthcare and education), and a rising level of openness.

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