

Brics And Its Various Aspects

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The BRICS appears to be on its way to realising the predictions made in 2001, with the emerging dynamics over the last decade further establishing these predictions. Starting with a share of a little over 10% in world GDP, and less than 4% in world trade in 1990, BRICS now constitutes about 25% of the world GDP and 15% of world trade. The increase in GDP implies that the economic size of BRICS in terms of its share in world GDP has expanded by 150% in the two decade periods. In addition, all the BRICS countries have now become active members of major international and multilateral institutions, such as the WTO, the UN, the G-20 and the UNFCCC.

Their importance in global economic and political affairs is also reflected by various other indicators, such as trends in FDI inflows and outflows, trade openness, current account balance, forex reserves and economically active labour force, which could make BRICS a formidable force to reckon with in the future. Despite positive developments on various fronts, however, several issues remain to be addressed at both individual and the group level. One such issue is the relatively low ranking of the BRICS countries - with the exception of South Africa - in the World Bank's annual report, Doing Business 2012. Other issues that pose obstacles for the BRICS countries include inadequate infrastructure; a lack of institutionalisation; the heterogeneous nature of the group and lack of cohesive identity; the fragile nature of trade and investment linkages among the BRICS countries; and differences within the group on values,

economics, political structures and geopolitical interests. Based on current experience, one can argue that it is highly unlikely that BRICS countries will be able to create a power bloc capable of becoming a political and economic guiding force in the coming years.

However, the group can definitely expect to increase its influence significantly as the members institutionalise trust and consolidate the BRICS grouping. It needs to be made clear that if not addressed urgently, the issues indicated above could pose serious challenges to the group's realisation of what was predicted by Goldman Sachs. The opportunities ahead and the challenges faced by these countries call for changing how individual member countries view BRICS as a group. A more co-operative and collaborative approach on issues of common and global interests is required, which can perhaps help in actualising the co-operation. Some of these are delineated below. There is a need to facilitate closer co-operation and co-ordination of positions on various international issues, keeping broader interests in mind. BRICS needs to consolidate as a group and to find common positions on issues of international importance. The current institutionalisation mechanisms are lacking a grassroots civil society dimension. Civil society is well known for its close linkages with the citizenry, and could be indispensable when it comes to the mobilisation of the people in support of the BRICS project. One can expect that since these processes are still evolving, this vacuum will be filled.

There is a need for target-driven and time-bound deliverables accompanied by appropriate measures and mechanisms for delivery and implementation that are tied to adequate monitoring systems. The implementation of commitments made is a definite way of cementing the institutionalisation of BRICS. For BRICS to gain formidable ground in its role in international affairs, such as leadership of the WTO, IMF and the World Bank, there is a need to decide on common candidates and to field or support common candidates for such positions. A

failure to do so will consolidate the perception of a lack of solidarity and weaken the BRICS position in global affairs. There is also a need to take a common stand in the G-20. Such a move would speak to the stated desire of the BRICS to see a reform of global economic governance to give them a greater voice and increased representation. To address issues such as food security, there is a need to promote peer learning and to exchange best practices in the BRICS countries. To successfully face challenges at the domestic front and at the group level, there is a need to increase expenditure on R&D, especially in the areas of sustainable development, including food security. One way of actualising this co-operation in R&D would be by taking advantage of the existing co-operation among think tanks in the BRICS. Different institutes that specialise in different research areas could come together and share knowledge in the promotion of R&D. If they can succeed in overcoming some of their differences, there is plenty of scope for the BRICS countries to organise themselves into a formidable power bloc.

In general, BRICS do not constitute a homogeneous alliance. Their economic and political position in respect of international development politics and policies should not be underestimated by EU institutions. BRICS are part of the leading group of emerging economies that are going to - or are already - changing the setting of traditional development aid. The heterogeneity among BRICS seems to make development partnerships with BRICS en bloc rather complicated and less attractive. Especially China and Russia are differing - one being the next superpower, the other a former superpower - and need to be addressed in different ways. On the other side, agreements with India, Brazil and South Africa are more feasible. They already have formed a group of mutual interests and goals (IBSA) and in terms of democracy, federalism, political norms and values, common grounds with the EU are evident.

The impact of BRICS on the economic development of LICS has increased.

However, it did not lead to a push back of the EU as a partner of these countries. Above all, China is an important trade partner of many LICs and is influencing growth dynamics through demand of raw materials as well as manufacturing exports. But also trade, FDI, and development financing of the other four countries can be regarded as growth drivers for LICs, though trade is considered to be the most important link Overall, four areas have been analysed and have been identified as relevant for the dynamics of SSC, LIC's development and EU cooperation:

BRICS' gain in power has been obvious in trade relations and opposed interests between EU and BRICS are most likely to occur in issues of international trade. However, conflicting interests should not be carried out at the expense of LICs. BRICS demand for resources has been increasing in the past decade due to strong growth of Chinese and Indian manufacturing industries. Brazil and Russia were able to benefit from high raw material prices in the past and their expertise can thus be useful to help LICs to escape the commodity trap. The EU could give support for the transfer of know how and technology to prevent LICs from being constrained to the role as a supplier of raw materials and to help establishing diversified economies.

FDI(Foreign Direct Investment): Worldwide FDI flows from BRICS have increased more than significantly during the last decade, but BRICS share in outward FDI flows to developing countries in comparison to OECD countries is still a minor one. A number of positive impacts of FDI to developing countries can be identified, such as improvement of infrastructure and energy supply as well as increased trade and general market incentives. Financing: BRICS contribution to international development financing has increased substantially over the past decade, with China playing the predominant role. But again, BRICS' share in ODA flows in comparison to

OECD-countries is still rather small. Development financing usually comes within a larger package of grants, concessional and non-concessional loans and trade and investment arrangements. BRICS pursue SSC in distinct opposition to traditional donor-recipient-relationships.

Thereby, financing is mainly bilateral regarding China and India, whereas Brazil and South Africa are using multilateral channels, especially for regional institutions. BRICS' development financing is focussing on neighbouring countries but also complies with geostrategic and economic considerations.

Debt sustainability: Although BRICS financing has rarely created debt sustainability problems in the past, still it is important to observe social and economic returns and possible debt sustainability issues in LICs. Thereby, the EU should engage in a political dialogue with BRICS (and other non-OECD development partners) to agree on needs-based development financing within a commonly designed debt sustainability framework. BRICS as donors are not necessarily in competition neither with the DAC as institution nor with the DAC's aid model. The OECD should recognize differences instead of aiming to fit all donors under one umbrella. In particular, there is a lack of incentives for Southern donors to join the DAC and, in addition, the philosophy of approaching aid varies considerably between emerging and OECD donors. Therefore, new institutional settings of global development cooperation are required. If one single body is to be promoted at the international level, the DAC should not be that body, but part of it.

The EU has now the chance to initiate and take its Member States with it on the road for a Global Partnership. At the same time, the parties of the Global Partnership need to consider other for at the international level, so that responsibilities, mandates, and funding are clear and do not

overlap. Furthermore, the issue of global governance is closely linked to the (voting) design of the Bretton Woods and other global institutions. Indeed, it is a challenge to adapt the international institutional architecture to the current geopolitical status. However, the EU should try to work in favour of adapting it. Through trilateral settings, the EU can help developing the potentials of SSC. BRICS sub-coalitions like IBSA and BASIC are strong bodies to coordinate trilateral south-south-north-cooperation. Some of their focus areas coincide with priorities defined by the EU. Thereby, the EU could also build on the Agenda for Change and the Monterrey Consensus, which foresee "differentiated development partnerships" and the support of trilateral cooperation. Especially Brazil but also other emerging economies are interested in or are already practicing trilateral cooperation with OECD donors. Also the G77 is appreciating triangular cooperation as a way "to respond to the new realities and opportunities for development". However, it is important to avoid double structures and develop comparative advantages of SSC within trilateral development strategies. In order to reach these goals it is also necessary to demand more transparency of BRICS' SSC.