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BRICS countries challenge to the world economy new trends

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Abstract

This paper analyzes the importance of the BRICS group as representatives of emerging countries in the global economy. It is worth noting that the financial crisis had no strong effect on the BRICS group and it had a much better economic performance than developed countries. The main factors that led to the economic expansion of the group were an increased input of factors, and enormous scales of population and resources. For example, Brazil and Russia are mainly based on huge reserves of mineral resources and speculations made in international markets. China has an advantage of cheap labor and resources at low prices. India is also based on low-cost workforce. And last but not least, all the BRICS countries, except Brazil, show very high rates of investment. The current concern is to estimate whether the BRICS countries will have the same upward trend given the weakness identified within them: the high level of corruption, political different ideologies, over exposure to commodities etc.

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1. Introduction

In the last period, the emerging countries have had an important role on the world stage, even they have faced with a huge financial crisis. In this sense they represent an important force for global economic recovery, as it was observed in their economic performance.

The reorganization of global economy and the global influence changing are based on the rise of the great powers. The first specialist who has approached the influence of market size and power upon country's trade was Adam Smith (1776). Paul Kennedy (1989) showed that the relative status of developing countries into the world economy is changing due to differences in growth and organizational reforms.

Clyde Prestowitz (2008) shows in his study that in globalization Era almost 3 billion people from emerging countries such as China, India, Russia and Brazil have managed to integrate into the global market. According to Lin Yueqin (2009) the rise of the great powers is due to the boom of the emerging countries that seek to catch-up the advanced countries.

Since there are few studies on the growth pattern of the BRICS countries and on their influence on the global economy of the XXI century, the purpose of this article is to analyze the evolution of emerging economies in recent years and their importance in the world economy.

In the past decade, the emerging economies had a much faster growth rate compared to the developed economies, which led to a significant increase of their share in world GDP in international trade, in total foreign direct investment, and international financial markets. The economic crisis has led to relevant changes in global economic governance, especially the G20 replacing the G8 as international leader on the global stage. These changes can be interpreted as a manifestation toward a multipolar international economic order, where developing countries should have a much more significant role.

During this period, an important role was played by the BRIC countries (Brazil, Russia, India and China) that have several similar features (Truman, 2006):

- They are developing countries with relevant global economic performance and high potential;
- They are countries with systemic importance for the world economy; in this respect their national performances have profound implications both regionally and globally;
- They are able to exert influence on the governance of the global economy.

All these features together with a number of common interests' shows that BRIC countries have emerged as a coalition of developing countries where government representatives have some weight in decision-making at the international level. However, it should be noted that there are important differences in the four countries in terms of production structure by sector, opening outward, exchange rate regime etc. making this coalition to be more an ambitious project. China has a much greater economic power as against the other three BRIC countries which do not have very good prospects in its absence. However, China's presence in this group of developing countries is beneficial (if we make a comparison with its affiliation to G8), both for her and for the BRICs. BRICS countries have focused on their growing economic strength and development to create an agency to rival the World Bank. In this respect the member countries have been signed several trade arrangements for extensive use of local currencies in their commercial exchanges, the main purpose being to reduce transaction costs (Yardley, 2012).

2. Trends and developments in the BRICS group

As is known, the emerging countries are concentrated in regions with the largest population in the world. At the beginning of the century, their image has undergone a radical change through the most dynamic growth in the world and through the diminishing of the growth population rate which has led to an increase in GDP per capita close to that of developed countries. This was possible due to the increasing degree of economic integration of emerging countries in the global economy materialized in the trade and financial sectors. Favorable prospects of these countries have resulted in the reduction of risk perception coming from emerging markets and consolidating the trends mentioned above. BRICS countries are part of those emerging countries which have the characteristics listed above.

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