

THE PART OF BRICS COUNTRIES IN INTERNATIONAL TRADE EXCHANGES

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Abstract: The hereby paper aims at highlighting the outstanding contribution of the emerging BRICS economies to international affairs. Cooperation can be currently noticed among four emerging economies: Brazil, Russia, India, China and South Africa. Considering that the recent financial crisis is an illustration of actual monetary shortcomings, BRICSs represent an alternative of stability. This group of countries states that the emerging economies are being threatened by massive capital inflows and is concerned with the volatility of raw material prices. For investors, BRICS countries represent incredible opportunities for growth and economic development, far more sustainable than with Western economies. The quality and sustainability of global economic recovery largely depend on the performance of BRICS economies. BRICSs play an important part in developing dialogue and cooperation among member states, based on transparency, solidarity and mutual assistance. Hence, it becomes obvious that, given the economic growth rate, one of the major goals of BRICSs consists in competing with Western economies. A strong and sustained economic growth of BRICSs is envisaged, based on developing cooperation in the economic, financial and trade field.

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1. THE MEANING OF BRICSs

BRICSs do not constitute a political or economic organisation, not even an already recognised group, such as G-7 or G-20. BRICSs is an acronym coined by the Goldman Sachs financial analysis company starting 2001 and it became widely accepted due to the 2003 report of the same institution. Other abbreviations can also be found in related literature: BRIMC (Brazil, Russia, India, Mexic and China), only the RIC troika (excluding Brazil) or the “N-11” group of countries (“the Next 11”) which will develop at a sustained pace. However, one may ask whether BRICSs could turn into a formal alliance. The first BRICSs summit was organised in 2009, with the declared reason of solving the financial crisis caused by rich countries.

After the fall of the Berlin wall, the apparition of a single-poled world was widely discussed. This label does not only certify the presence of the United States of America as a single global superpower, but it also asserts a world where the Western states had and believed in their power of determining the rules of the international system. This was the

single-poled moment of the West. Where are we today? What is the global power balance? Only 18 years later, we assist to a dispersion of power, from the West to the so-called emerging economies, i.e. BRICSs (Brazil, Russia, China, India and South Africa). It is already said that the single-poled moment of the West has ended, as BRICSs economies have surpassed the dynamism and vitality of the Euro-Atlantic world. The geopolitical consequences of the economic prosperity transfer from the West to the East do not consist solely of the relative decline of the power of the West in comparison to the ascension of Asia, but mostly of the “dis-Westernisation of the globalisation phenomenon”, according to Francois Heisbourg (in other words, the limited capacity of the Euro-Atlantic world of influencing the rules of the game: the guidelines of the international political and economic system).

In 2008, the first 6 Western economies produced 65% of the global GDP. It is estimated that, in 20 years, the West will produce less than 50% of the global GDP and, in 40 years, BRICSs will dominate the world. In its latest assessment, the National Information Council of the USE (the medium and long-term strategic analysis centre of the American information community) estimated that, by 2025, the world’s most important 8 economies will be: USA, China, India, Japan, Germany, United Kingdom, France and Russia. The collapse of the financial system in the USA generated a recession which affected both the West and BRICS economies, significantly reducing global economic growth. However, emerging states will go on growing more quickly than G-7 economies.

It is estimated that the economy of the United States will increase in the following years at a rate of 1% (compared to 3% before the crisis), whereas the economy of China will have an annual rate of growth of 5%. If, before the crisis, China grew 3 times faster than American economy, it now grows 5 times faster. In the past, all financial crises were managed by international bodies dominated by the Occident: IMF, WTO or G-7. Nowadays, all these institutions have been baffled by the magnitude of the crisis. In November 2008, in Washington, a reunion of the most important 20 economies (G-20 = G-7 + BRICS economies + other emerging economies) was called, as the so-called Bretton Woods 2nd conference, with a view to rethinking the architecture and rules of the international financial system. All this shows us how far we are from the single-polarity of the 90s. Moreover, the conference of Washington, chaired by George W. Bush, is the most faithful description of the current distribution of global power. We live in a fluid world, in a full transition, whose essence is actually “single-multi-poled”: “America is the most important of the big powers, as the president of the Administrative Board, *primus inter pares*, but there are other members of the global governance board who are important and who must be involved in decision making” says John Hulsman.

2. THE INFLUENCE OF EMERGING ECONOMIES ON THE INTERNATIONAL SYSTEM

What is the configuration of an international system, progressively influenced by emerging states? It is highly possible to assist to an enforcement of many tendencies of the moment: the restoration of the power policy and the reaffirmation of exclusive geopolitical influence areas of the big powers, according to the model of the recently proclaimed Medvedev doctrine. Richard Haass believes that we shall assist to significant changes in the panorama of international alliances, anticipating dynamic arrangements, dominated by a logic which has been suggestively summarised by Lord Palmerston, more than 150 years ago: a state has no permanent friends or enemies, only permanent interests.

All these evolutions describe a world of selective cooperation, where the main actors will consist less and less of traditional alliances, and more and more of conjuncture

coalitions, flexibly constructed along a punctual strategic interest. As a whole, international relations are presented as coexistence between order and disorder, society and anarchy. To this purpose, the stability of the system is determined by the capacity of the big powers of reaching an agreement on the rules of the game and imposing them to the rejecting states.

Most experts consider that the main strategic challenge of the Euro-Atlantic community in the coming 25 years will be the integration of emerging powers in a system of rules and guidelines defined by Europe and the USA. The stake is their absorption into an order structure built around Euro-Atlantic guidelines. "If we fail turning them into states which are interested of being part of the system, they will become revisionist powers and we will live in a jungle", says John Hulsman.

However, the leverage of the West towards BRICSs is capitalism. The prosperity of emerging powers is a product of the markets. Their development practically depends on their integration into global economy. As beneficiaries of capitalism, BRICSs have a fundamental interest to preserve the system that provides for their wealth, so that they won't be tempted to destroy the *status quo* without risking their own economic suicide. Moreover, these states are fundamentally interested in being a part of the system, not outside the system. The strategic philosophy of the West towards BRICSs is simple and refers to their integration in the "big capitalist peace", but with a condition: if you want to be a part of the system, accept our rules (Euro-Atlantic guidelines).

3. ANALYSIS OF THE ECONOMIES OF THE LEADING EMERGING COUNTRIES IN THE WORLD

3.1. Brazil: from a Regional Leader to World Power

Brazil is considered one of the four emerging economic powers that will dominate the 2050s. What does this mean for the global, regional and national Brazilian context? The economic development of Brazil, in comparison to the other three economic powers, has been so far, according to the recent analyses of Goldman Sachs, the most disappointing. From 2003, the economic increase was also 2.7%, although the 2003 report estimated a 3.7% increase and the real potential would be 5%. The same GS analyses imply that this is because of the outstanding stabilisation projects implemented by President Lula during his first mandate (2002-2006). It must not be forgotten, however, that Brazil has undergone an important path, from transition to democracy at the end of the 80s (and after the economic crises of 1990 and 1994).

Economic progresses, though recent, cannot be denied and the economic increase is doubled by the energy auto-sufficiency reached in 2007. Ever since the times of the military governments (1964-1985), Brazil has invested in alternate energies, producing sugarcane ethanol and using it as a substitute for petrol, especially in automotive industry. Moreover, being firstly an agricultural superpower, Brazil is often presented as the future world's supplier of food resources, with the only possible obstacle being climate changes. The recent discovery of underwater petrol added to alternate energy cultures and predicts an additional transformation of Brazil's role.

As a world leader, in the context of the ever greater attention paid to environmental development at a global level, Brazil does not have a very good position. Alternate energy cultures have been criticised mostly because they use fertilisers which are highly harmful for the cultivated soil and subsequently pollute ground-water table.

Another problem Brazil has to solve refers to the problematic deforestation of the Amazonian area. This issue has been approached by the Sustained Amazon Development

Plan initiated by the Lula government. At a regional level, Brazil is a Mercosur (Common South Market) member, the most important economic cooperation project on the continent and the very recently created Union of South-American Nations (UNASUR), built in 2008, according to the EU model.

With an estimated population of 190 million inhabitants, an outstanding demographic increase, which is predicted to be quite stable in the future as well, Brazil is not only the leading economy in Latin America, but also a future essential global economic actor from now on. The question is: how will Brazil use this power in political terms? At a regional level, this is already obvious, due to the informal role that has been undertaken. As a regional lider, Brazil already acts as a mediator between Washington-friendly regimes (Colombia) and the "new left" regimes (Venezuela, Bolivia, Nicaragua, Ecuador). At the same time, Brazil is one of the gates of entrance of Russia to Latin America in the name of multipolarity. The recent visits of the Russian President Medvedev (within the APEC summit) are a proof to this purpose. Russia and China both approach the Latin American territory, as shown by the visits and agreements signed by Hu Jintao in Cuba and Costa Rica at the end of November 2008.

Although all the analyses remark that the American economy has not been endangered yet, it is certain that China and Russia, these two superpowers, consider that Latin America is a highly interesting area, both in economic and (especially?) political terms. This new international voice and its relations with Venezuela and Russia are highly important in the regional context of US domination of the entire continent for more than a century. However, all these changes must be perceived accordingly: the US still remain Latin America's first trade partner, but their position is no longer a monopoly one, allowing (especially in the current context) for various agreements with trade partners, improbable up to recently.

The relations between Brazil and the European Union, the second economic partner of the continent (through Mercosur, but also through bilateral agreements), are still important. Although it is a regional leader, asserting itself as a future world power, Brazil remains a Latin American nation and one of the most inequitable societies. The regional disparities inside the country are important, with the triangle of Sao Paulo, Belo Horizonte and Brasilia being assimilated to some kind of "Belgium in the middle of India". To this respect, any economic increase, however spectacular it may be, should be profitable for the entire Brazilian population. The other countries identified as emerging powers (RIC), with an important subsequent increase, are neither examples of democracy in the sense given by the Christian West, nor societies with no extreme economic and social cleavage, on the contrary. The future development to this purpose refers to the wish of these countries of being heard on a more strong note (see the recent financial crisis or the recent suspension of EU-China relations).

3.2. Russia: the World's Leading Energy Provider

The two presidential mandates of Vladimir Putin corresponded to the economic performance of the Russian Federation and its re-assertion at a world stage. Russia turned from a weak actor of international policy, into a country regaining its statute of regional power, becoming an important competitor for the EU or China and manifesting its ambition of becoming a great power.

The transformation of Russia can be explained through the combined action of two factors: change in the political leadership and reforms, valuable use of energy resources. The texts of the first speeches after 2000 (when Putin becomes the president) firstly

announced the internal reform of the Russian state. In July 2000, in his speech on the state of the nation, Vladimir Putin warned on the most important issues faced by the Russian state: the bad state of population (poverty), corruption, the burdening tax system and criminality. According to Putin, all these issues represented the cause for which Russia, “highly dependent on international loans”, was threatened by the danger of turning into “a third world country”. The solution proposed by the Russian president was “a state enforcement policy”, as this was the only method of ensuring the prosperity of Russia. In practice, this recipe meant a reform in the banking system (with a view to preventing massive bankruptcy) and the legal system, social actions, nationalisation of the energy sector, centralised administration.

The effects of the policies of the new leaders in Kremlin resulted in a spectacular increase of Russian GDP, to an average estimated by the Economic Intelligence Unit at 6.9% per year during 1999-2007, an increase in salaries and pensions, a reduction to half of the number of employees.

The internally promoted reform actions only partially explain Russia’s economic ascension, which is more due to an increase in exports of gas and petrol. According to the data published by the Central Bank of Russia, between 1999 and 2007, Russia’s exports have increased by 400%, from 75.5 billion USD to 355 billion USD. Petrol and gas deliveries made up for 67% of total Russian export. A massive increase in exports determined an increase in foreign reserves, from 12.5 billion USD in 1999 to 476 billion USD in 2007. The internal reforms promoted by the Putin regime had to serve an important external policy goal stated in the Political Concept of June 2000, that of “acquiring a reputed position in the world community, in accordance with Russia’s interests as a great power”.

The tools used by Russia to this purpose were the international organisations and reconsideration of the relations with important actors of the world politics (USA, EU). The UN were the field where Russia leveraged its global ascension in the relations with the US. As a permanent member of the Security Council, Moscow could state its opinion on the beginning of the Iraq war or the imposition of resolutions on the nuclear programmes of Iran and North Korea.

In terms of the relations with the US, Moscow’s goal consisted of replacing the US hegemony, by the multilateralism in conjuncture alliances with India and China. The growth of Russian power in EU relations is proved by the community’s dependence on Russian power, to an extent of 40%. The geopolitical elements providing an important position of the Russian state in international politics are historically inherited. Russia has the biggest territory in the world, the largest natural gas reserves (with important reserves of oil and minerals), many inhabitants (7th place in the world). In military terms, Russia’s power lies in its numerous army, an improperly modernised technology and the second nuclear arsenal in the world (most of it was developed in the Soviet period).

3.3. India: an Ascending Power, Shaded by Poverty

India started to grow in 1991, when the state decided to open the economy to foreign investors. The recipe applied by Indian authorities significantly differs from the Russian one.

The Indian political regime is democracy, and its economic growth was based on the export of energy resources. The increase in the economic power of India was mainly due to the development of the services industry which, according to the Ministry of Statistics in New Delhi, stands for more than half of the Indian GDP. The data provided by

this institution shows that the manufacture sector (26.2%) and the agricultural sector (19.7%) are the other large contributors to the Indian budget. The development of the services industry implied an important leap in the Indian GDP, which doubled from 2002 to 2007, increasing, according to Global Insight, from 25 billion rupees to 50 billion rupees. According to the World Trade Organisation, the expansion of the services industry also resulted in an increase of exports in this sector, from 4.9 billion USD in 1990 to 56 billion USD in 2005. As Russia and China, India has a range of geopolitical advantages: a wide territory (the 7th place in the world) and many inhabitants (more than a billion inhabitants, 2nd place in the world after China).

The image of India, as a quickly ascending state, is shaded by the poverty of the population in rural areas and by the fact that most of the Indians (two thirds of the men, according to National Sample Survey Organization) work in agriculture. In 2007, an IMF report showed that, in the last 15 years, very few workplaces were created in India, as the labour market demanded higher qualifications and the authorities promoted a restrictive legislation. Moreover, the Indian population is dominated by major discordances between the young people studying at the Universities of Calcutta and New Delhi, preparing to become qualified specialists, and those who live in rural areas, with no access to water resources or electricity.

3.4. The Economy of China and its Impact on World Economy

If the current trends are maintained, China will have an unprecedented impact on the world. By 2025, China will be the second economy in the world. It may become the leading importer of natural resources, but also a leading polluter, as estimated in the last report of the National Information Council of the US, published in November 2008.

In the last years, the price of oil has exploded, due to the ever more increasing demand. China is one of the economies which are responsible for this evolution. The required amount of oil in China doubled from 1985 to 1995, from 1.7 million barrels/day to 3.4 million barrels/day, doubling again by 2005, when a level of 6.8 million barrels/day was reached. In 2003, China became the second oil consumer in the world, after the US, also being the third global importer. If in 2006 the oil demand of China was 91 million tons/year, it is estimated that, by 2020, China will import almost 1860 million tons (in other words, an increase of 1940%).

An increased competition for energy resources is announced, mostly for the assurance of safe providers, able to provide medium and long term predictability. To this purpose, China has initiated genuine geopolitical offensives, with a view to maximising its energy security. Venezuela and Iran already are privileged energy providers of China. In the long term, Iran has the potential of becoming a strategic oil provider for China (in 2005, the proven oil reserves of Iran were 133 billion barrels, the third place in the world).

We also notice a trend which, far from being a simple accident, seems to become a constant international policy promoted by Beijing, i.e. the Chinese predilection of having energy alliances with anti-Western regimes. The list may continue with Sudan, which is considered a threat for international peace and safety by the resolutions of the UN Security Council (China absorbs about 65% of the oil produced in Sudan). Moreover, China, but also Russia, oppose to the adoption of a more rigid sanctioning system against Tehran and Khartoum.

The real geo-strategic offensive of China, actually referring to a decrease in the Western influence in the area, takes place in Africa. If, in 2000, Sudan was the only African country providing oil to the Asian power, states like Angola, Congo, Equatorial

Guinea became the partners of China (30% of its oil demand comes from Africa). In general terms, the trade relations of China with African states increased by more than 700% from the 90s (if they were 1 billion USD in 2006, they reached 10 billion USD in 2003 and 55.6 billion USD in 2006). It was estimated that the value of trade exchanges between China and African states would reach 110 billion USD in 2010. The recipe is always the same: states excluded by the West or by the international community, mostly for their history of infringement of Human Rights, are preferred. The void space left by the West and the international community is quickly occupied by China. When the IMF refused to grant Angola a loan (invoking lack of transparency and corruption of institutions), China maximised the opportunity, granting the loan immediately, with no preliminary conditions. Angola is currently exporting more oil to China than Saudi Arabia. China is becoming a leading geopolitical actor, not only in Africa, South America, the Middle East (areas aiming at building a wide network of customer states and energy alliances), but also in Central Asia. To this purpose, the Shanghai Cooperation Organisation was created, made up of 6 member states (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), which seems to acquire ever more the shape of a political and military block aiming to counterbalance the influence of United States in the space of Central Asia.

The Shanghai Cooperation Organisation is also informally known as the NATO of the East. According to the National Information Council of the USA, any restructuring in the presence of the USA in the area could transform this NATO of the East in the main format of management of geopolitical dynamics in Central Asia.

At a regional level, China was involved in the formalisation of wide institutional arrangements, such as the ASEAN + 3 forum (reuniting ASEAN states, to which China, Japan and Korea are added) and the East Asia Summit. The shared element of these initiatives is that they exclude the US. At the same time, China is a significant nuclear power (100 to 200 nuclear warheads), has an active army of 2.3 million people, with an expenses budget for defence ranging from 97 to 139 billion USD, with a total GDP of 3,249 billion USD (in 2007). The foreign currency reserves of China are impressive, reaching almost 2,000 billion USD in 2008. These amounts were partially directed to sovereign wealth funds, able to replace the liquidity crisis of the Western financial system, in case of need.

The National Information Council of the US anticipates that, in time, the sovereign wealth funds controlled by BRICs will provide emerging markets with more money than IMF and the World Bank altogether, which may result in a different format of structuring of alliances in international relations.

It has to be said that China is currently still a great power with legs of clay. Its economic prosperity depends on the integration in the "great capitalist peace", on Western markets. Starting 1967, the peak of the Chinese cultural revolution, more than 300 million people entered the middle class, with a significant space which is not controlled by the government. However, hundreds of millions of people still deal with poverty.

Over 40 years, China has evolved in a direction profoundly serving the interests of the West, which is why China must grow, evolve progressively, increase its economic prosperity. Depending on the prosperity of markets, China will play a fundamental part in maintaining the wealth supplying system, so that it will no longer be tempted to question the status quo without risking its own suicide.

4. CONCLUSIONS

In my opinion, BRICSs have a great potential of becoming large sustainable economies in the future. However, they must solve an important issue, i.e. the eradication of poverty. The numbers published in various studies have shown that the five BRICS states will play an important part in world trade in the coming years. We mention that this acronym has become widely used as a symbol of change in economic world power, far from the G-7 developed economies, towards the developing world. On April 13, 2011, an S was formally added, in order to reflect the accession of South Africa to the union. According to a document published in 2005, Mexico and South Korea were the only countries that could be included in BRICSs, but their economies were initially excluded, as they were considered more developed, already being members of the Organisation for Economic Cooperation and Development. Some analysts consider that this is an attempt of China of breaking the IBSA, a multilateral organisation made up of India, Brazil and South Africa. With the entrance of South Africa in BRICS countries, the IBSA became more irrelevant. On the other hand, Russia offered itself and was supported for hosting the G-20 summit of 2013, and BRICS might become BRICSI until 2012, at the following summit, that of India, as Indonesia, another emerging economy, was proposed for accession to this group. BRICS countries (Brazil, Russia, India, China and South Africa) represent strong emerging economies, summing up more than 40% of the world population (3 billion inhabitants, of a total of 6.9), concentrating thus the largest consumption market, almost a fifth of the world Gross Domestic Product, outstanding resources and raw materials and also the largest money reserves in the world.

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