

THE IMPACT OF BRIKS FROM ECONOMIC, LEGAL AND POLITICAL ASPECT IN THE INTERNATIONAL COMMUNITY

Mirjana Matovska, PhD
Jasmina Trajkoska, MA
Zorica Siljanovska MA

Teaching Assistant at Faculty of Political Sciences, Diplomacy and Journalism
FON-University, Republic of Macedonia

Abstract

The influence of the BRICS countries is continuously increasing. Economic growth of these countries allows them stronger international influence. If you take into account that even half of the world population lives in these countries, shows the power that this block carries. Although it is a relatively new group, attempts to consolidate its activities on economical, legal and political sphere are continuous.

Globalization and the current economic situation, enable BRICS countries to move current economic superpowers and ensure its dominance in the world.

BRICS will change the geopolitical balance? Will these countries, which are in continuous growth in recent years, be able to be leaders of modern times dictation's of economical and political future trends? Economic power always goes hand in hand with increased political influence. Are required internal political reforms in the BRICS countries to maintain continuity in economic development?

Keywords : Global financial crisis, economic growth, economic and political influence, internal political reform

Introduction

BRICS is an international political organization of leading emerging powers and the successor organization to the previous BRIC , lifted by the inclusion of South Africa in 2010. Current five countries are Brazil, Russia, India, China and South Africa²³². With the exception of Russia²³³, members of BRIC are developing countries that are considered new powers because of their large holdings and significant impact on regional and international developments and economic trends. Their lives almost half the world's population, with GDP of 13.6 trillion dollars²³⁴, and have a combined foreign reserves of 4 trillion²³⁵.

²³² <http://www.southafrica.info/global/brics/brics-080411.htm#.UMj7ROT7Jg0>

²³³ http://www.un.int/russia/new/MainRoot/docs/off_news/130109/newen2.htm

²³⁴ <http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/weorept.aspx?sy=2009&ey=2016&scsm=1&ssd=1&sort=country&ds=.&br=1&c=223%2C924%2C922%2C199%2C534&s=NGDPD%2CNGDPDPC%2CPPPD%2CPPPPC&grp=0&a=&pr.x=101&pr.y=17>

²³⁵ <http://www.csmonitor.com/World/Global-Issues/2011/1018/Amid-BRICS-rise-and-Arab-Spring-a-new-global-order-forms>

President of China Hu Jintao²³⁶ said that BRICS countries are defenders and representatives of developing countries and are promoters of world peace²³⁷. However, some analysts say that there are significant disputed issues within the organization, especially disagreements between China and India on the status of Tibet.²³⁸

In September 2006, the Foreign Ministers of the four original members of the BRIC (Brazil, Russia, India and China) met in New York and start in on series of high level meetings. As BRICS the organization's members first met on May 16, 2008 in Yekaterinburg, Russia.²³⁹

The group holds an annual summit each year starting from 2009. Before South Africa joining, BRIC held two summits: in 2009 and 2010. The first summit of the five-members of BRICS group was held in 2011, and the last was held on March 29, 2012 in India. The theme of the 2012 summit was: Partnership of BRICS countries for global stability, security and prosperity. The leaders of BRICS countries discussed political, economical and social issues of mutual and international interest. The main goal of the summit was to find ways of strengthening cooperation, consultation and coordination between these countries to improve the quality of life of their citizens and the international community.

The total gross domestic product (GDP) of the group, with dynamic economic growth, is estimated at 13.7 trillion dollars, which is approximately equal to a quarter of global GDP. Members of the BRICS group, Brazil, Russia, India, China and South Africa, are 43 % of the total world population, participated in the global flow of direct foreign aid in 2012 with 11 %, and in world trade by 17 %.

Table 1. Features of the BRICS Member States for the period 2009-2011.

Economic categories	Year	Brazil	Russia	India	China	South Africa
GDP PPP	2011	\$2.324 trillion.	\$2.414 trillion	\$4.515 trillion.	\$11.29 trillion	\$562.2 billion.
	2010	\$2.262 trillion.	\$2.314 trillion	\$4.210 trillion.	\$10.34 trillion	\$545.1 billion
	2009	\$2.103 trillion.	\$2.219 trillion	\$3.806 trillion.	\$9.356 trillion	\$529.8 billion
GDP official exchange rate	2011	\$2.493 trillion.	\$1.850 trillion	\$1.676 trillion	\$6.989 trillion	\$408.1 billion.
GDP growth rate	2011	2.70%	4.30%	7.20%	9.20%	3.10%
	2010	7.50%	4.30%	10.60%	10.50%	2.90%
	2009	-0.30%	-7.80%	6.60%	9.20%	-1.50%
GDP per capita	2011	\$11.90	\$17.00	\$3.70	\$8.40	\$11.10
	2010	\$11.70	\$16.20	\$3.50	\$7.50	\$10.90
	2009	\$11.00	\$15.60	\$3.20	\$7.00	\$10.70
Population below poverty rate	2011	21.40%	13.10%	29.80%	13.40%	50%
labor force	2011	104.7 million	75.41 million.	487.6 million	795.5 million	17.66 million.
Unemployment rate	2011	6%	6%	9.80%	6.50%	24.90%
	2010	6.70%	6.70%	10%	6.10%	24.90%

Source: <https://www.cia.gov/library/publications/the-world-factbook/fields/2116.html>

²³⁶ Hu Jintao was born in China in 1942. He was the fourth generation leader of the Communist Party in China, General Secretary of the Communist Party from 2002-2012, chairman of the Central Military Commission from 2004-2012 and President of the People's Republic of China from 2003-2013.

²³⁷ <http://www.bdlive.co.za/articles/2012/03/28/brics-a-force-for-world-peace-says-china>

²³⁸ http://www.atimes.com/atimes/Global_Economy/ND03Dj01.html

²³⁹ http://archive.kremlin.ru/eng/articles/bric_1.shtml

On BRICS summit held in 2012, countries not only agreed to support the IMF, announced that in the future will provide loans in local currencies that are intended to lead economic growth in times of crisis and post-crisis period.

Experts believed that this move will help to reduce the cost of transactions and will strengthen those currencies worldwide, and will fend off the dollar as a reserve currency, at least in trade between BRICS member states. This idea was consistent with the interests of the global economy. The euro and dollar are no longer vested in the role of reserve currencies. Clearly, the world needs more reserve currencies. Russia and China for several years trade in rubles and yuan and the Russian plans are to expand local currency in trade with India. For its part, BRICS countries also announced their, so far only plans, to establish a joint development bank that would be considered a rival to the World Bank and the International Monetary Fund. If established, it will function as a credit agency and will provide funds to BRICS member states and their joint projects, but also for other countries . The purpose of creating this bank is not only for the benefit of BRICS members but also for the development of other countries beyond.

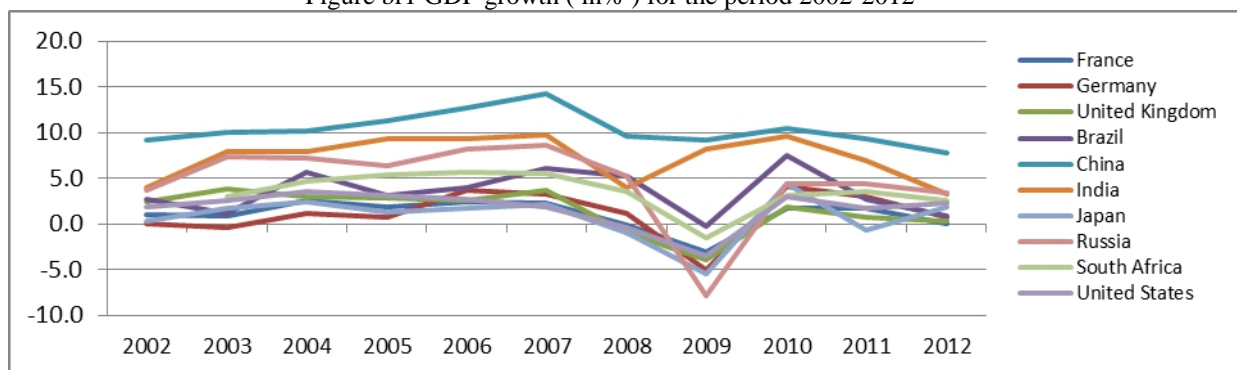
The leaders of Brazil , Russia , India , China and South Africa on the summit in Indian capital New Delhi concluded that in the future it is necessary to undertake activities aimed at their growing economic power is reflected through greater influence in financial institutions such as the International Monetary Fund and World Bank . The creation of a joint development bank and greater mutual trade, will influence to prevent the emergence of new global economic crises that may arise and flow in these economies.

BRICS remain drivers of global economic growth. The challenge on the last summit of leaders, was to decide on issues related not only to the future of BRICS, but for making the admission of new members, a permanent seat on the group and focus on several global political issues such as Syria, Iran and North Korea. They also discussed the measures needed to support the revival of the global economy, particularly the measures associated with the debt crisis in the EU

Before the summit, the Federation of Indian Chambers of Commerce and Industries announced a document for BRICS in which each economy of that group should make efforts to capitalize the potential, and also to extended their mutual cooperation beyond the geopolitical framework guided by the economic needs. The economic growth in the world is not coming from the developed countries of the West, who are struggling with the consequences of the global financial crisis. On long-term, experts remain optimistic that BRICS will be the driver of global growth.

The financial crisis started the process of true globalization and BRICS confirmed that this was more than possible. Globalization made many changes in the world economic power. On the account of the worldwide economical and political forces, the United States and the member states of the European Union, stand out China, Russia, India and Brazil. Economic growth in the last decade has enabled these countries to be under the little influence of financial crisis or not to be affected by it at all. Chart No. 1 shows trends of growth of GDP in the last decade. The difference in economic growth among countries, including BRICS, can be seen without a doubt.

Figure br1 GDP growth (in%) for the period 2002-2012



Source: World Bank www. worldbank.org

These countries have a rich natural resource, which separates them from the other countries. This is the foundation on which they based their rapid growth. Effective and efficient use of the resources gives these countries an economic advantage over the rest of the world. With the economic growth started the new trends in investment and expansion of transnational companies in this block. Transnational companies positioned USA as the leading economy last century. Their assets were bigger than the budgets developed countries. This deepened the economic dominance, US influence in the world and assisted in the implementation of US interests. This strategy today is applied by the BRICS countries. Transnational companies easily implement the economic dominance; in so doing they are realizing the basic goal of any company, profit. Globalization facilitates and accelerates this opportunity of dominance by the BRICS transnational companies. New technologies combined with the wealth of resources, become an easy way for expansion of TNC.

Negative economic growth after the financial crisis has led to incensement of unemployment. In such conditions, the TNC investment in a certain country are of great interest and importance, because it creates jobs, providing a positive bias towards TNC, and the country of origin of the company.

Economic development is the basis of the level of political influence in international relations. Countries with capital are powerful in two directions: on one hand can be pressed by the less powerful in decision-making, on the other hand, always have powerful instruments able to put pressure on countries that are less powerful to affect their decisions. Transnational companies such as Petrobras, Odebrecht, Embraer (Brazil); Lukoil JSC, Norilsk Nickel, Novoship Co. (Russia); NIIT Ltd., Usha Martin, Ranbaxy (India) China Ocean, Shipping Grp. National Offshore Oil, Corp.; National Cereals, Oils & Foodstuffs, Corp., Lenovo (China); Illovo Sugar, MTN, AngloGold Ltd. (South Africa), play an important role in the balance of power in international relations and on the impact of policy decisions on a global level. Today is more important to have a transnational company than a certain territory, because the economical and political benefits from it is most important for positioning the country in the global trends.

The significant economic growth of the BRICS countries will inevitable contribute to the political and social growth, as well as to increasing political culture by raising the awareness of the BRICS countries' citizens. How can countries with centralized government manage to deal in continuance with such large economic growth? Jim O'Neill, the creator of the term BRIC, thinks that the politics of Vladimir Putin has centralized Russia and therefore it is difficult to achieve the necessary progress²⁴⁰. This country is seriously stagnating in

²⁴⁰ <http://www.dw.de/%D0%B1%D1%80%D0%B8%D0%BA%D1%81-%D0%B7%D0%B5%D0%BC%D1%98%D0%B8%D1%82%D0%B5-%D1%87%D0%B5%D1%81%D1%82%D0%BE->

respect of inclusion of individual experts and stakeholders in policymaking, due to parochial political culture and clientelism. The high level of corruption²⁴¹ and bureaucratism has made India dependent on imported goods, even though they already have them. The PR of China needs economic reforms in respect of economic freedom, which will promote small and medium enterprises. The strikes in South Africa, almost every year, are causing setbacks in the economic sector and government. The positive reforms that this country is implementing refer to the institutional changes regarding strategic planning, whereby academic opinions are taken into consideration by the government while shaping public policies; nongovernmental organizations and interest groups are also successfully participating in policymaking. Brazil has the best prospect in respect of internal reforms, which mostly refer to social policies, as well as strengthening the civil sector in respect of joint public policy making.

It is evident that there is a need for political re-socialization and raising awareness among the political elite and the citizens regarding the decentralization and democratization of these societies. On the other hand, the neoliberal western societies are already facing the shortcomings of capitalism. Will the new world developments lead to a new system that will be a hybrid between the eastern and western values? The changes in political systems that refer to crucial segments must proceed in several phases, through which the economic development will become permanently sustainable and those changes would bring balance and dissemination of capital. Increased political culture among the population of the BRICS countries may, on one hand, have a positive influence on maintaining economic growth, but on the other hand, that always poses a threat for political elites. The will of the political elites is crucial for implementing these changes, it refers to their willingness to decentralize their power on several layers. Globalization is already imposing a need for different behavior of political elites, as well as of citizens. After achieving great economic growth, BRICS countries must inevitably engage in reforms within their internal political systems, because they have a direct influence on maintaining the economic growth and their power in international relations.

Conclusion

The plan of the International Monetary Fund (IMF) to collect 800 billion dollars for strengthening the crisis fund will depend on the fast developing BRICS countries, which are demanding greater voting power within IMF in return for the financial means that they will provide. IMF has managed to secure only part of the means, therefore the support from the BRICS countries is crucial for strengthening the Fund, because USA announced that is not able to and will not provide any means. China has so far been very restrained regarding that issue, as well as all the other member of the grouping BRICS, who are afraid that the means that they would provide will be used for saving the European countries, whose economies have suffered great turbulences and who were on the verge of bankruptcy.

In respect of the indebtedness of the USA, the PR of China in September 2009 became the largest creditor of the USA, thus replacing Japan who formerly held that position. However, we must inevitably paraphrase John Maynard Keynes, when the United States owes China tens of billions, that is America's problem. When it owes trillions, that is China's problem.²⁴²

In the last ten years, the BRICS countries have had an average growth of 28%, which today amounts 230 billion dollars per year. The goal is to raise that number up to 500 billion

%D1%81%D1%82%D1%80%D0%B0%D0%B4%D0%B0%D0%B0%D1%82-%D0%BE%D0%B4-D0%B4%D0%BE%D0%BC%D0%B0%D1%88%D0%BD%D0%B8-D0%BF%D1%80%D0%BE%D0%B1%D0%BB%D0%B5%D0%BC%D0%B8/a-17061658

²⁴¹ <http://www.transparency.org/cpi2012/results>

²⁴² <http://www.mitpressjournals.org/doi/pdf/10.1162/isec.2009.34.2.7>

dollars until 2015. IMF has come close to the amount of 400 billion dollars, for the remaining financial means, the BRICS countries have the final word, and in a manner the faith of the European economies depends on them.

Due to the immense economic power of the BRICS countries, they are becoming a political factor and thereby create a balance of forces within the international relations. That will, on hand, change the BRICS countries themselves, on the other hand, it changes the relations of the current leading forces, the USA and EU toward BRICS and it also changes the perspectives regarding the possibility of an economic boom. With these new constellations of the relations within the globalised world, it is expected that the leading countries in the world will start creating the new world order.

Additionally to the economic and political influence that they have in international relations, the BRICS countries must turn toward internal reforms of the political system, in order to sustain and foster the current development. The problems of a centralized government, the lack of inclusion of the civil sector in public policy making, the great gap between the rich and poor must be gradually overcome through reforms which would be directly related to the increase of political socialization of citizens and democratization of political elites within the BRICS countries.

References:

William Autholis, New Players on the world stage: Chinese Provinces and Indian States, October 22, 2013.

Bruce Jones, Pratap Bhanu Mehta and Wahegaru Pal Singh Sidhu, Shaping the Emerging World : India and the Multilateral Order, 2013

Michael Chossudovsky and Andrew Gavin Marshall, The Global Economic Crisis: The Great Depression of the XXI Century, 2013.

Светска банка www.worldbank.org

<http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf>

http://relooney.info/0_NS4053_948.pdf

<http://www.iadb.org/intal/intalcdi/PE/2011/08803.pdf>

http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-0A0AB000-CC1514C3/bst/xcms_bst_dms_36627__2.pdf

https://eprints.mdx.ac.uk/4469/1/Baskaran-Mammo_Working_paper_on_NSI-Impact_of_Recession_on_BRICS.pdf

http://www.lowyinstitute.org/files/pubfiles/Thirlwell,_All_change.pdf