

Big BRICS, Weak Faith on Each Other and Optimistic for Ruling the World



Management

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ABSTRACT

The five BRICS countries are distinguished from a host of other promising emerging markets by their demographic and economic potential to rank among the world's largest and most influential economies in the 21st century. Together, the five original BRICS countries comprise more than 3 billion people or 44 percent of the world's population, cover more than a quarter of the world's land area over three continents, and account for more than 29 percent of global GDP. In 2001, Jim O'Neill at the Goldman Sachs Bank published a paper where he coined the term "BRICs" in order to identify the largest emerging markets in the world. This paper try to explain the BRICS countries scope for development and facing critical challenges without losing the optimistic future.

Introduction

The BRICS countries label refers to a select group of five large developing countries (Brazil, Russia, India , China and South Africa). The five BRICS countries are distinguished from a host of other promising emerging markets by their demographic and economic potential to rank among the world's largest and most influential economies in the 21st century .Together, the five original BRICS countries comprise more than 3 billion people or 44 percent of the world's population, cover more than a quarter of the world's land area over three continents, and account for more than 29 percent of global GDP. In 2001, Jim O'Neill at the Goldman Sachs Bank published a paper where he coined the term "BRICs" in order to identify the largest emerging markets in the world. The BRICs, an abbreviation consisting of the first letter of each of the four BRIC countries' names - Brazil, Russia, India and China - have been in the limelight throughout the 2000s mainly because of their economic development and potential. The key features seen as linking the BRICS were their large populations, relatively stable governments and a potential for significant economic growth. A few years later, in 2003, the predictions of Goldman Sachs became even more optimistic as they predicted that by 2050 the BRICS' economies could together be larger than those of the G6.

BRICS and Why

The BRICS were first so defined by analysts in order to highlight the relations between the G7 industrialized nations and larger emerging market economies. The countries were thus not grouped together based on any other similarities than economic potential. By using demographic projections, it was predicted that by 2050 the BRICS would account for over half the size of the world economy.

Table 1: Statistical Comparison of the BRICS

	Brazil	Russia	India	China	South Africa
Population (millions)	192	141.80	1,140	1,325.60	50.5
Population Growth	1.00	-0.20	1.30	0.60	1.04
Surface area (sq. km)	8,514,90	17,098,20	3,287,30	9,598,10	12,190,90
(thousands) GDP (billions, US\$)	1.612,50	1.607,80	1.217,50	4.326,20	3, 572, 59
GNI per capita (US\$)	7.350,00	9.620,00	1.070,00	2.940,00	3.648.00

Military spending US\$ millions	14,737	33,821	23,535	57,861	26,810
Military spending as % of GDP	1.50	3.50	2.50	2.00	1.26
Human Development Index rank	75 th	71 st	134 th	92 nd	129 th

Source: World Bank, UN and SIPRI

OBJECTIVES OF THE STUDY:

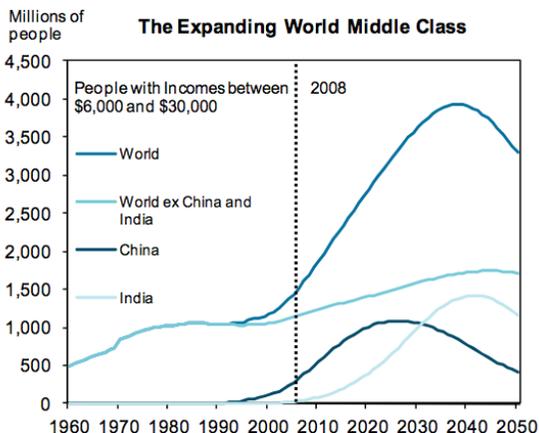
- To study the 'Rapid economic growth' of the BRICS nations.
- To estimate and analyze the purchasing power of the people though 'Growing middle class' families.
- To study the 'Higher profitable growth opportunities' in the BRICS nations.

Economic Growth and Development of the BRICS

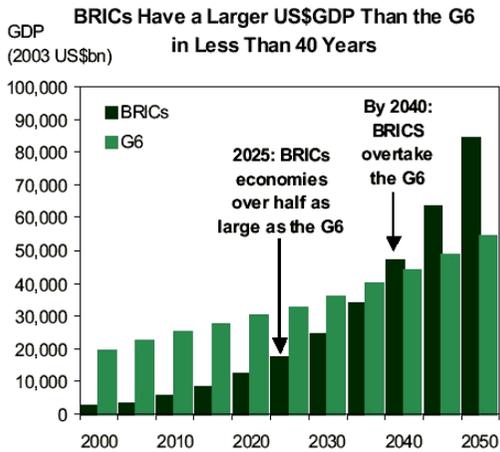
The BRICS countries have since gone on to meet and seek out opportunities for cooperation in trade, investment, infrastructure development and other arenas. From 2000 to 2008, the BRIC countries' combined share of total world economic output rose from 16 to 22 percent. Together, the BRICS countries accounted for 30 percent of the increase in global output during the period.

Growing Middle Class:

The rapid economic growth and demographics of China and India are expected to give rise to a large middle class whose consumption would help drive the BRICS' economic development and expansion of the global economy. The charts below depict how the increase in the middle class population of the BRICS countries is forecasted to more than double that of the developed G7 economies.



Source: Goldman Sachs



Source:- BRICS research report/Goldman Sachs.

Science and Technology in the BRICs:

The BRIC countries of China, India and Brazil account for much of the dramatic increase in science research investments and scientific publications. Since 2002, global spending on science R&D has increased by 45 percent to more than \$1,000 billion (one trillion) U.S. dollars. From 2002 to 2007, China, India and Brazil more than doubled their spending on science research, raising their collective share of global R&D spending from 17 to 24 percent.

BRICS countries discover foreign Aid:

Foreign aid from the four original BRIC countries more than doubled from 2005 to 2008, according to the organization Global Humanitarian Assistance. During that period, China's foreign assistance grew by more than 30 percent annually. India, the largest foreign aid recipient in history, is actively looking to establish a national aid program akin to USAID or the U.K.'s Department for International Development, according to a recent Economist article.

BRICS-Emerging market consumer insight:

The BRIC economies of China, India, Brazil and Russia are promising engines of global economic growth and development. Recent data on BRIC countries' consumer spending habits reveal interesting insights about consumer behavior and priorities in each emerging market.

Income generating capacity (GDP Per Capita)

Income is one of the three main components of the UNDP's Human Development Index (HDI), along with health and education. The HDI and other quality of life indicators measure income in GDP per capita in US\$ at purchasing power parity (PPP). The table below shows the substantial increases in income that have benefited living standards around the world in recent years.

STRONG ECONOMIC RECOVERY

Facing the severe impact of the global financial crisis, all BRICS countries have taken a series of economic stimulus measures to heal the wounds.

Affected by the financial crisis, South Africa, a new member of BRICS, suffered economic recession for the first time in 17 years. However, its economy picked up in 2010, with a large increase of output value in agriculture, mining industry, and manufacturing. Domestic consumption had become the major force of South Africa's economic recovery. Its GDP rose by 2.8 percent in 2010. The central bank estimates South Africa's economic growth in 2011 and 2012 would reach 3.7 percent and 3.9 percent respectively.

COOPERATION CHALLENGES

The people in BRICS nations account for 40 percent of the world's population, and their combined GDP accounts for 15 percent of the world's total. Along with their respectively robust economic growth and quick recovery, economic cooperation and trade among the BRICS countries have also been surging. Trade for BRICS has shot

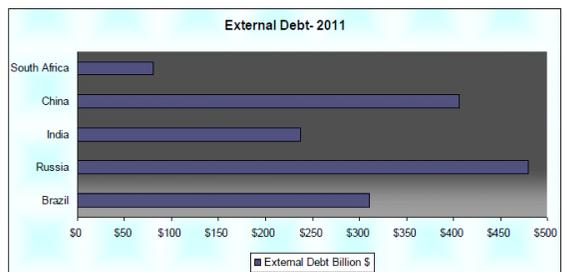
up with an average annual growth rate of 28 percent from 2001 to 2010, with the total volume of trade among BRICS countries reaching 230 billion U.S. dollars in 2010.

There are also territorial and political disagreements among BRICS countries. However, as the new force of emerging countries, the BRICS nations are obliged to speak in one voice on behalf of developing countries on many major international issues, such as global security, anti-terrorism, climate change, aerospace, economy and energy. How to deal with their differences and cooperate as best as they can test the BRICS nations' wisdom and courage.

	Brazil	Russia	India	China	South Africa
Area (km ²)	8 514 877	17 098 242	3 287 263	9 596 961	1 219 090
Population	203 429 773	138 739 892	1 189 172 906	1 336 718 015	49 004 031
Population growth rate	1.13%	-0.47%	1.34%	0.49%	1.1%
GDP (PPP)	\$2.19 trillion	\$2.23 trillion	\$4.05 trillion	\$9.87 trillion	\$527.5 billion
GDP Growth rate	7.5%	3.8%	10.1%	10.3%	2.8%
GDP per capita	\$10 900	\$15 900	\$3 400	\$7 400	\$10 700
Imports	\$187.78 billion	\$237.3 billion	\$327 billion	\$1.31 trillion	\$77.04 billion
Exports	\$199.7 billion	\$376.7 billion	\$201 billion	\$1.51 trillion	\$76.86 billion
Current account balance	-\$52.73 billion	\$68.85 billion	-\$26.91 billion	\$275.5 billion	-\$16.51 billion
Foreign exchange reserves	\$290.9 billion	\$483.1 billion	\$284.1 billion	\$2.622 trillion	\$45.52 billion
No. Of mobile phone users	173.86 million	230.5 million	670 million	747 million	46.44 million
No. Of internet users	75.98 million	40.85 million	61.85 million	389 million	4.42 million
UN HDI ranking	73	65	119	89	110
Gini Coefficient ranking	10	52	79	53	2
Birth rate (per 1000)	17.79	11.05	20.97	12.29	19.48
Urbanisation rate	87%	73%	30%	47%	62%
Literacy rate	88.6%	99.4%	61%	91.6%	86.4%
Unemployment rate	7%	7.6%	10.8%	4.3%	24.7%

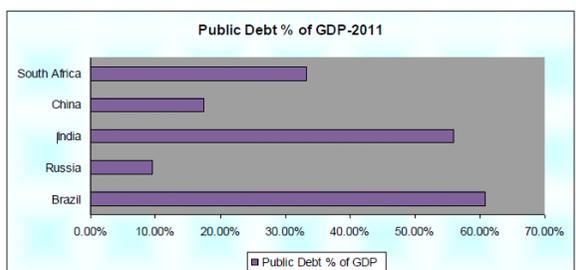
EXTERNAL DEBT

External debt reflects the foreign currency liabilities of both the private and public sector and must be financed out of foreign exchange earnings. In case of BRICS countries, external debt for 2011 is US\$ 310.8 billion in Brazil, US\$ 480.2 billion in Russia, US\$ 237.1 billion in India, US\$ 406.6 billion in China and US\$ 80.52 billion in South Africa.



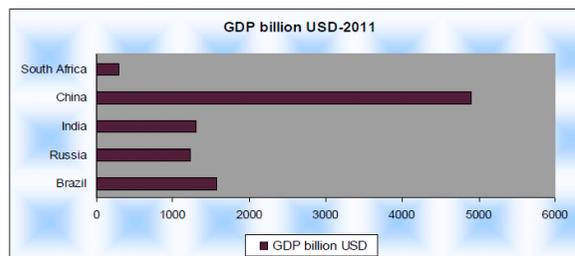
PUBLIC DEBT

A Public debt considers all government liabilities, including future pension payments and payments for goods and services the government has contracted but not yet paid. For the year 2011 share of public debt in GDP is 60.80% for Brazil, 9.50% for Russia, 55.90% for India, 17.5% for China and 33.2 for South Africa. The following graph presents the above mentioned data.

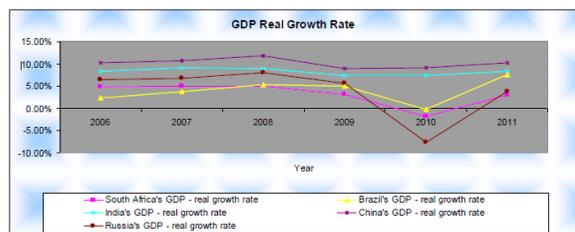


GROSS DOMESTIC PRODUCT

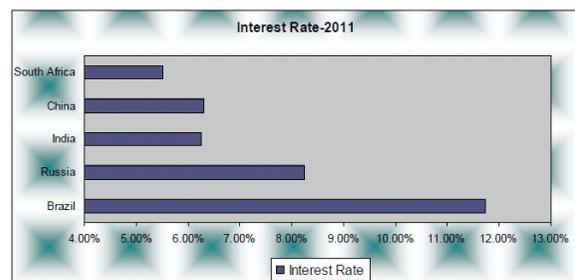
GDP refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living. For the year 2011 GDP value is US\$ 1572 billion for Brazil, US\$ 1231 billion for Russia, US\$ 1296 billion for India, US\$ 4909 billion for China and US\$ 286 billion for South Africa. The following graph presents the above mentioned data.



The following graph presents the trend in real growth rate of GDP in BRICS countries. In 2010, there has been a fall in real growth rate of GDP in Brazil, Russia and South Africa while India and China have been on a slightly increasing path.

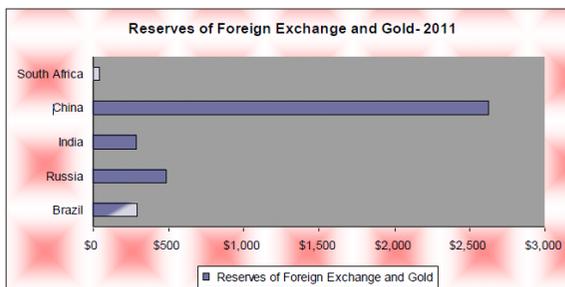


Interest rates:- The following graph presents the interest rates in BRICS countries for 2011, with South Africa having lowest interest rate of 5.50% and Brazil with the highest interest rate of 11.75%. Russia's interest rate is the second highest at 8.25% while India and China have interest rates of 6.25% & 6.31% respectively.



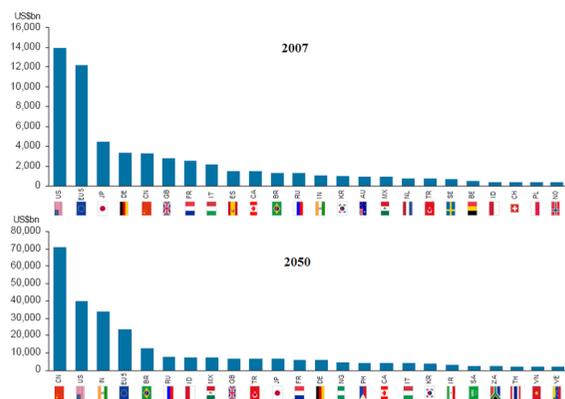
RESERVES OF FOREIGN EXCHANGE AND GOLD

In the case of BRICS countries, Reserves of Foreign Exchange and Gold for year 2011 is US\$ 290.9 billion for Brazil, US\$ 483.1 billion for Russia, US\$ 284.1 billion for India, US\$ 2,622 billion for China and US\$ 45.52 billion for South Africa (based on 2010 estimates). The following graph presents the above mentioned data.



Dreaming BRICS Countries- Path to 2050

Cooperation is thus hypothesized to be a logical next step among the BRICs because Brazil and Russia together form the logical commodity suppliers to India and China. According to the study, India has the potential to grow the fastest among the four BRICS countries over the next 30 to 50 years. A major reason for this is that the decline in working age population will happen later for India and Brazil than for Russia and China. The chart below shows a more recent forecast of the world ranking of the biggest economies in the year 2050.



Summary:

BRICS nations have used one single voice to air their views or opinions, and this is of great importance in itself and will facilitate beefing up the integral voice and impact of the new emerging markets and developing countries and spurring the development of multilateralism.. It is precisely for this reason that BRIC nations should systematize and normalize the meetings of their leaders and ministers on a regular basis, whereas their representatives should improve their representation and more new emerging nations with great regional influences, especially South Africa, Mexico and Saudi Arabia, should be recruited. Only in this way, can newly emerging nations expand their ranks continuously and truly conduct fair dialogues with developed countries, equal in ranks or status.

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