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The Emerging Brics Economy: The Future World Economy

C.Vijiyakumar
Ph.D. Research Scholar, PG and Research Department of History
Periyar Government Arts College, Cuddalore – 607001,Tamil Nadu.
Contact No. 9500688942E-mail ID: cvijiyakumar1@gmail.com

Abstract

This paper discusses the economic development of the BRICS countries and how their economies threat a challenge to the world. Further, it describes the purpose and functions of the New Development Bank. It also explains how NDB is converting to global financial institutions like the IMF, World Bank, etc.What is the reason for the creation of BRICS? What is the status of developing countries today? Why is the BRICS appealing to developed countries? Why are BRICS seen as so necessary in the world when there are so many international organizations?This article answers the questions.

Keywords: *BRICS, NDB, IMF, Economy*

Introduction

BRICs was developed by Jim O'Neill at Goldman Sachs in 2001[1], and the idea became a reality in the period from 2006 to 2008. Foreign ministers from Brazil, Russia, India and China first met at aninformal meeting at the United Nations General Assembly in the autumn of 2006, which was followed by the first leaders' meeting at Sapporo on the eve of the G8 Toyoko-Hokkaido Summit in 2008. This was followed by the first full BRICs summit in Yekaterinburg, Russia, in 2009[2].At each BRICS summit, various themes have emerged such as the need for "a more democratic and just multi-polar world order"[3].

Emerging BRICS Economy

The BRICS nations held a summit conference in Xiamen, China, on September 2017, laying out a determined development plan for the next decade. The declaration deal out at the end of the meetingexhibits the willingness of representatives of these emerging economies to make a better contribution to the sustainable and inclusive development of the world economy and to the development of global governance[4].

In recent years, the BRICS nations have taken an ever-increasing share of global economic development. According to the estimate by the International Monetary Fund, the offering of the BRIC bloc to world economic growth was about 60% in 2016[5]. The IMF also considers that in 2017, developing economies and emerging countries will contribute more than three-quarters of global economic growth. And in the next few years, the influence of these economies will still account for about 70% of global economic growth.

Emerging economies have not only made significant contributions to the global economy in terms of development they have also been prosperous in promoting the increase of international trade. According to calculations by the World Trade Organization, from 2000 to 2017,, imports from emergingcountries increased from 27% of world trade to 41%, and exports increased from 30% to

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43%. In 2005 emerging countries supplied 24% of world service exports. In 2023, this figure was 39.4%[6].

Goldman Sachs envisages that by 2050, the top five economies would be composed of the BRICS countries (China, India, Brazil, Russia and South Africa), and the United States[7].

As the framework of the world economy changes dramatically, the BRICS countries have expressed a strong urge to participate in and take action on international economic governance.With regard to the existing global system, the BRICS countries have supported multilateralism and promoted domestic reform to make the system more equitable. Whether within the framework of the United Nations, or the G20, the BRICS countries are actively collaborating, seeking to speak with one voice. The BRICS countries have played an active role in promoting global economic growth, fighting the return of protectionism, and strengthening cooperation in the supervision of financial markets[8].

At the same time, the BRIC countries have created new cooperation mechanisms, like the creation of the New Development Bank (NDB)[9], and emergency mutual aid provisions. This has builta new centre of collaboration among developing countries based on equality.In these many mechanisms, there is no opportunity for pressure or veto’s equality prevails, with each country entitled to one vote. It is a model of consultative cooperation.

At the Xiamen Summit, BRICS heads invited numerous leaders from other emerging economies, to show that the BRICS countries are not a closed

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bloc.Indeed, the new trend of the global economy is the collective growth of emerging economies[10].

Goldman Sachs predicts that by 2050, the combined GDP of the eleven "Diamond" countries (Mexico, South Korea, Indonesia, Turkey, Iran, Egypt, Nigeria, Bangladesh, Pakistan, the Philippines and Vietnam) will exceed that of the United States, and will double that of the EU[11].

In the new version of the report "The World in 2050" published by the Price Waterhouse Coopers, the GDP of the sevennewly developing economies (Brazil, China, India, Indonesia, Mexico, Russia and Turkey) already matches that of the previous G7 in 2015, based on purchasing power parity.By 2040, the five developing economies will be double as large as the old G-7. In 2050[12], the EU's GDP will fall under 10% of the international economy, while the US will decline to 12%.BRICs also face significant challenges. If they can defeat these challenges, the later development of BRICS countries would be also brighter.

Since the dollar is yet the hegemonic currency of the international monetary system, the Federal Reserve's monetary system has an important impact on the economy. After the end of quantitative easing in 2014, the Federal Reserve entered a cycle of interest rate reduction[13]. The changing value of the dollar has caused sharp fluctuations in the international commodity market, and commodity-exporting countries among the BRICS have suffered tremendously from the Federal Reserve's "spillover effects". In the future view, the Federal Reserve will decrease its status on the debt marketIn addition, the interest rate will be increased as well.All this will cause important fluctuations in the value of the dollar, the world capital markets, and the markets of the initial products.Only by increasing

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monetary cooperation and adopting a swap for the establishment of their universal trade could the BRICS countries decrease the negative impact of the dollar's turmoil on their economies[14].

BRICS Emerging economies have enormous needs for infrastructure and the development of consumption and services. Emerging economies have better demographics, are more open-minded, more willing to participate actively in international cooperation, more ready to build cognitive coordination mechanisms. On the aggregate, developing economies are the central force for supporting a new version of globalization. The BRICS countries have built a new model of mutually favourable cooperation among emerging economies[15]. This form of South-South cooperation would have an impact on other emerging economies.Collaboration among these developing countries will significantly change the outlook of global growth, also affecting the structure of the worldwide economy[16].

New Development Bank (NDB)

At the fourth Summit in New Delhi 2012, the leader of Brazil, Russia India China and South Africa considered the possibility of setting up new Development Bank to mobilize resources for infrastructure and sustainable development projects in BRICS and otheremerging economies, as well as in developing countries. They directed Finance Ministers to examine the feasibility and viability of this initiative, to set up a joint working group for further study, and to report back by the next Summit in 2013[17].

Following the report from the Finance Ministers at the fifth BRICS summit in Durban in 2013, the leaders decided on the feasibility of establishing the New

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Development Bank and made the conclusion to do so. It was also concluded that the fundamental contribution to the Bank should be substantial and sufficient for it to be useful in financing infrastructure[18].

At the sixth summit, the BRICS agreed to create a $ 100 billion New Development Bank (NDB) to allow states to mobilize resources for economic stabilization.Countries also welcome plans to secure $ 100 billion (90.8 billion) reserves through BRICS investment[19].

The BRICS countries have also signed an agreement on cooperation between the BRICS export credit companies:Export Insurance Agency of Russia(EXIAR) Russia, The Brazilian Guarantees and Fund Managements Agency (ABGF)Brazil, Export Credit Guarantee Corporation of India (ECGC)India,Industrial and Commercial Bank of China (ICBC) China, and Export Credit Insurance Corporation (ECIC) South Africa. The BRICS countries are the determining factor in the global economy[20].

In a statement of BRICS said: In a statement, Briggs said: “We are disappointed and seriously concerned that the 2010 IMF reforms are not currently implemented, which could negatively impact the IMF's fairness, credibility and performance[21].

The group's five-member countries representing NDB designed - with its headquarters in Shanghai, the company's first president, India was the bank's first regional office in Johannesburg will be the Governor's Council of the early leader from Russia, and the directors of the group's first leader from Brazil is coming. It is

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noteworthy that this act has equal devolution of power over a country without foreign influence.

Conclusion

The BRICS financial institutionscan herald a new financial and commercial architecture which has the prospective to be advantageous not just for BRICS but for the global financial system at large. The preparations to use the bilateral trade surpluses within the BRICS by those with trade shortfalls would generate additional demand within the member nations by creating new channels for intra-BRICS trade. Hopefully, this will stimulate the real economy in terms of output and employment.

The transfer of surpluses to meet deficits can even be treated as a loan, to be adjusted by other transactions of the NDB. Trade surpluses earned by individual members will remain within the BRICS as an investment and will not be used as assets in US dollar, avoiding sources of vulnerability. The use of local currencies will help promote mutually beneficial economic cooperation, mitigate currency risks, increase trade, and facilitate companies in accessing the BRICS markets.

Common to all the BRICS members, the organization has emerged as a fast-growing economy a passion for diversity and a force against US hegemony.The strength of the BRICS alliance will also be a factor in each country's individual fortunes. The agreements that emerged from their 2014 summit could mark a real

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commitment to establishing a powerful new global grouping capable of reshaping the global economic landscape.

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