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# Mini Review

## What Does BRICS Mean for the Economies of the Member Countries: The Case of India

Ökten

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HATASO

# What Does BRICS Mean for the Economies of the Member Countries: The Case of India

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## Abstract

The aim of this article is to summarize the purpose why BRICS emerged and how it has been affecting the economic performances of the member countries and the world economy itself as well. The reason why India is chosen as the case country to work on rest of the fact that India after its independence has recorded a very interesting growth on the economic level and particularly after its BRICS membership. This article analyzes what kind of a position India has taken and would take furthermore in such an economic platform that the world now presents for the countries. This article searches for an answer to the question stated in the title using the quantitative and qualitative methods and has obtained clear results. It is argued that BRICS is a very important support for the Indian economy and that the economies of developing countries can escape from the hegemony of the capitalist Northern industries, thanks to regional integrations such as BRICS. Therefore, this article has an aim to recover the economic performance of the country that was recorded before the membership to BRICS and see what happens after that.

**Keywords:** BRICS; India; Economic growth rate; Global economic crisis.

## 1. INTRODUCTION

### 1.1. What Was BRICS Founded for and How Did It Emerge?

This article discusses the historical background of the BRICS establishment, its economic and political significance, and what it means for emerging markets. The article takes India as an example and examines the multifaceted effects of BRICS over this country. The basic research question is "What does BRICS mean for the economies of the member countries?" as stated in the title. In subtitles, this question has been developed with several different questions within it. The answers to the questions of what the BRICS impact is on India's political economy and what impact regional integrations have on the capitalist world economy through the BRICS example are sought. The main reason why the article seeks answers to these questions is to see the underlying reasons behind India's strengthening place in the world economy. It is argued that BRICS grouping is one of the reasons for India's stability, which continues to increase its share in the world economy while the trade war between the United States and China and global epidemic continue. The relationship between India and BRICS was taken as an example while investigating the importance of regional integration initiatives for the political economies and development of developing countries. While preparing this article, methodologically quantitative and qualitative data were used. As Neumann (2014) stated very clearly in his highly detailed book "Social Research Methods," qualitative or quantitative or a mixture of both can be adopted in a social research in order to gather the necessary knowledge to build the research. In this way, it has tried to benefit from the political economy field that derives its strength from the potential it has for producing strong political arguments based on numerical data.

The global power struggle is evolving toward a new international political and economic order. The first global crisis of the 21st century is the most basic development that prepares the ground for this new order.

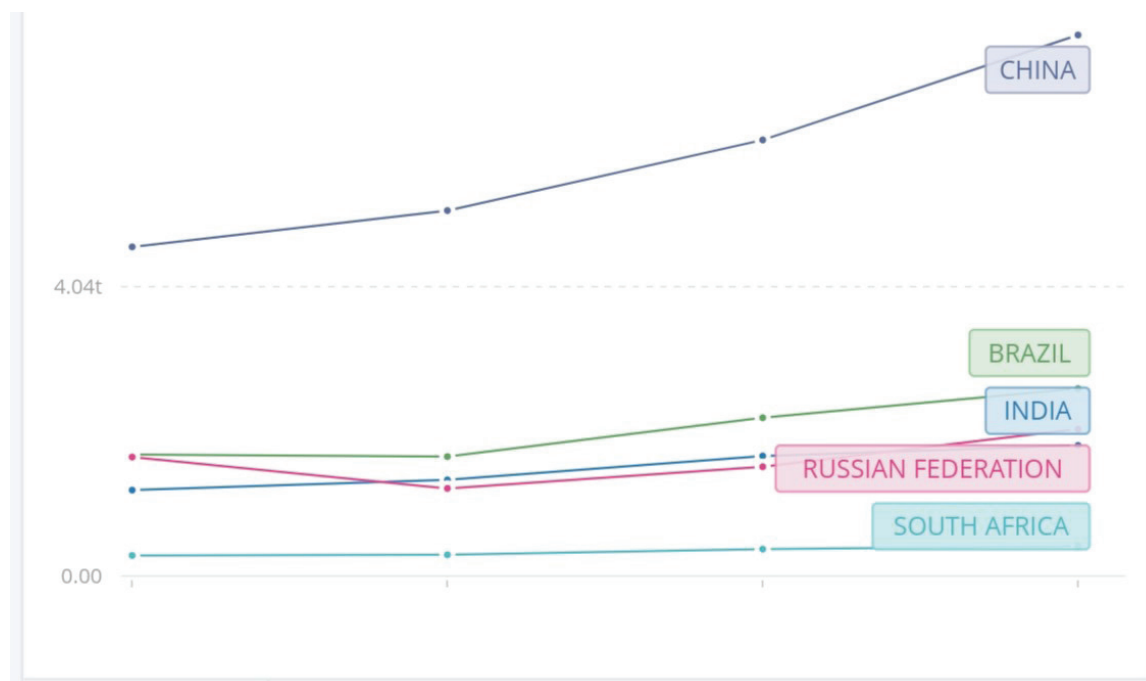
The crisis, which emerged in the United States in 2008 and felt its impact deeply in the global economy in a short time, has created an important breaking point that both accelerates the transition to the new order and makes this transition more interesting (Tok, 2015). While the economic decline occurred in the hegemonic countries of the liberal order with the 2008 financial crisis, the fact that states such as China, Brazil, India, and Russia were in the economic growth trend is interpreted as an indicator of a significant structural change (Vieira, 2012). Wealth and power are shifting from the established powers of the North to the rising powers of the South (Ikenberry, 2011).

In the face of the weak recovery observed in the United States and European countries after the 2008 financial crisis, the increasing performance of the Global South countries increased the inquiries regarding both the order and the current international political economy paradigms. With the 2008 financial crisis, the fact that Bretton Woods institutions are inadequate in global governance has been faced, as a result of the initiatives and the effective role of the Global South countries in the summits, discourses such as “multipolarity,” “post-American order,” and “the rise of the Global South” increased.

The increasing effectiveness of global Southern countries in global economic governance can also be observed before the IMF. After the crisis, the IMF quotas of the powers that increased as a result of the reform carried out within the IMF in 2016 have increased (Weisbrot and Johnston, 2016). In the face of the high economic performance of the global Southern countries after the crisis, the fact that the United States could not get rid of the shocking effects of the crisis for a long time after the collapse in the financial markets brought the controversy. Accordingly, emerging powers have started to develop new intellectual ideas by rejecting Western economic models (Halper and Clarke, 2005).

As a matter of fact, while the financial crisis that occurred in 2008 caused economic contractions in the United States, European countries, and Japan, the GDP of the countries that we can call as rising powers increased significantly (**Figure 1**). Given the fact that the crisis has emerged as a result of the problems that existed for many years in the established powers, it is clear that the policies implemented by the emerging powers do not reveal a conjuncture that would require a fundamental questioning of the current economic structures (Öniş and Güven, 2011). This is one of the main reasons why India, the study area of this article, has survived the 2008 financial crisis with less impact than the industrialized North. It was observed with this crisis that global Northern forces, the architects of the current system, were affected by the crisis occurring in the system at a higher rate. The liberal order was built by the industrialized states of the North.

**Figure 1. GDP (current US\$) BRICS 2008–2011.**



Source: World Bank Data.

The 20th century, which was dominated by the cold war, had significant effects on the 21st century. The Great Depression evolved into a period when the unipolar world order was discussed after the dissolution of the 20th century Soviets, which witnessed World War II, oil crises, and economic crises. This period, during which liberal thoughts were settled in many areas under the US hegemony, has witnessed regional conflicts in countries such as Iraq, Somalia, Sudan, and Syria, and the chaotic period, in which countries were destructively affected and the peoples in the economic field through sanctions, brought with it the rise of new regional powers.

Regional powers led by countries such as China, Russia, Brazil, and India have brought criticism against the system established by the global Northern forces. Although there are economic reasons at the beginning of the criticisms, it is possible to say that the reform initiatives that started in the World Bank and the IMF affected institutions such as the United Nations. BRIC countries, which held their first meetings in 2006, established BRICS in 2011 with the participation of South Africa. This formation is actively involved in many areas from economy to politics today.

BRICS formation, which aims to develop cooperation with member countries in areas such as finance, agriculture, economy and trade, science and technology, health, education, academia, and security, is a new institutionalization of the changing world order. The unfair situation criticized by the BRICS countries continues in many international organizations, especially the institutions such as the World Bank and IMF, which are controlled financially by the United States and western countries. The limited development opportunities brought by the lack of necessary financial opportunities for the backward and developing countries are among the main agenda items of the BRICS countries.

In the last decade, the BRICS countries increased their share from the world economy from 12% to over 23% (Goodrich and Qingqing, 2018). BRICS formation also makes efforts in many areas such as ensuring peace in Syria, the principle of not interfering with the internal affairs of countries, respect for international law, opposition to economic sanctions, equal voting rights in organizations such as the IMF and the World Bank, and termination of commercial protectionism. Countries such as Brazil, China, Russia, and India, which stand out as emerging powers in the world order established and exploited by global North and Western powers, are developing alternative approaches to the world economic system.

BRICS, which emerged as a strong alternative to the western-centered world economy, was more prone to cooperation than Western countries at a time when trade wars, sanctions, currency crises, and regional security concerns were on the rise. However, BRICS, which has deficiencies in institutionalization and formation of new members, should position itself according to the changing conjuncture.

The rise of BRICS, which is reshaping global governance, also illustrates the rise of Asia and supports the development process of Africa. This is seen as an opportunity to open new policy areas and to restructure the globalization process as an alternative to traditional forces and their neoliberal policy proposals. At this point, it is important for developing and underdeveloped countries that different formations emerge in the way of constructing a multipolar world order more fairly.

According to the data predicted by PWC (**Figure 2**), China will rank first, India third, Russia sixth, Brazil eighth, and South Africa thirteenth in terms of purchasing power by 2030 (Clarry *et al.*, 2017).

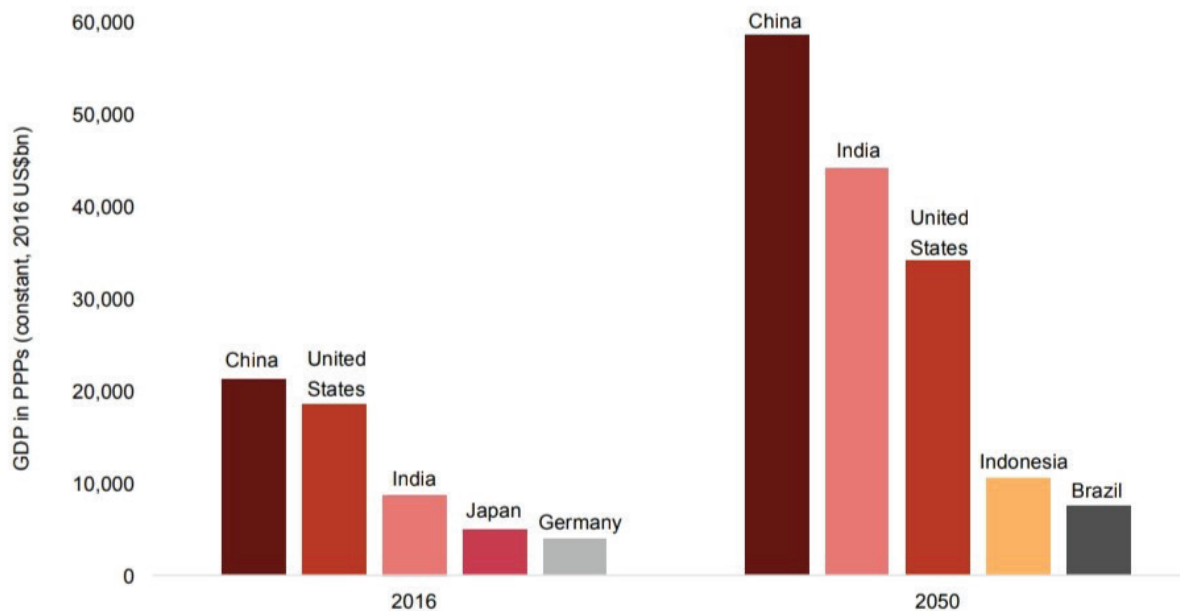
BRICS, which expanded its dialogue partners within the framework of the presidency of China in 2017, invited countries with representatives of regional and global organizations in different geographies of the world to the summit at the annual group meeting held between July 25–27, 2018 (Youming and Jiawei, 2018).

## 2. ECONOMIC PERFORMANCE OF INDIA

The country with perhaps the most complicated history of economic development from the BRICS member states is India. India, which has invested heavily in the educational infrastructure of its young has succeeded in evaluating this training together with its training in the IT infrastructure. (Sullivan, 2015)

As one of the countries with an impressive economic performance in recent years, India has taken its place among the fastest growing countries in the world. Since 1998–1999, the ratio of savings to national income is around 11%. The liberalization of trade has led to an increase in the wages of the unskilled, reducing the

Figure 2. GDP in PPPs 2016–2050 Estimates.



Source: PWC Analysis.

wage imbalance in the country, and as India's weight in the Asian markets has increased, the country has become a regional growth engine.

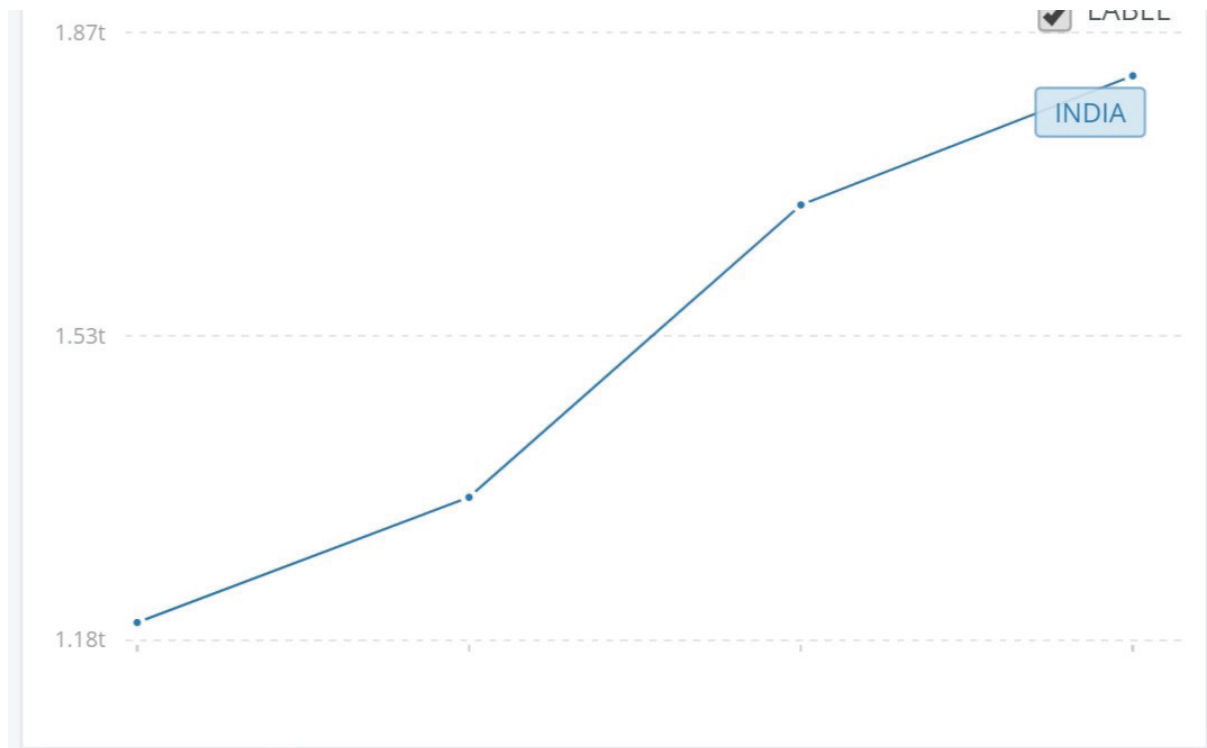
Another factor that plays an important role in the process is the direct foreign capital flow to the country, with direct investments of US\$ 0.2 billion in 1990, rising to US\$ 6.6 billion in 2006. While India was a closed economy until the 1980s, it launched a comprehensive program of forward economic reforms in 1991 to lift the idle order and restructure various sectors of the economy. Within the framework of these reforms, India, which aims to restructure all sectors, especially agriculture and livestock sector, which constitutes 75% of the population and produces 30% of GDP, has tried to overcome the employment problems brought by the annual population growth rate of 1.8%. The reform program in 1991 played a triggering role in the growth rate, with an average growth rate of 6.6% over the 5-year period covering 1995–2000 (Vazquez-Rozas and Vadlamannati, 2009).

The liberalization program successfully entered 2006 and brought India among the countries that attracted the most foreign capital together with China. India, which receives an average of US\$ 5 billion of direct capital every year, is becoming more and more attractive for foreign investors day by day. Foreign investments, which turned into reinvestment in India in the 2007–2008 fiscal year, amounted to US\$ 5.5 billion (Vazquez-Rozas and Vadlamannati, 2009). After the economic reforms tried to be carried out in 1991, significant changes were made in the foreign trade regime of India.

The total FDI equity inflow to India in fiscal year 2020 was roughly 50 billion U.S. dollars. FDI inflows play a significant role in contributing towards the development of the Indian economy. Higher FDI inflows are directly correlated with higher employment in the country. This improves productivity including the quality of processes and supply chains towards achieving global quality standards (Keelery, 2020).

According to the IMF purchasing power parity calculations, India, which is among the top 5 economies in the world, takes the 12th place in the world with a 485.5-billion dollar GDP considering the standard calculations. Although it started economic development later than China, today's point is as remarkable as China. Only one third of India's total national income is derived from the foreign trade sector. This is because there is a fairly large local market in India (Vazquez-Rozas and Vadlamannati, 2009).

India can be named as one of the world's fastest-growing economies with its average annual GDP growth rate which is almost 6.1% during 2011–2012 (IMF, 2011).

**Figure 3. GDP (current US\$) India 2008–2011.**

Source: World Bank Data.

By 1991, Indian governments followed protectionist policies which contained policies like state intervention and regulation that kept the country outside from the world economy.

As Stanley Wolpert explained in his work edited in 2008, balance of payments crisis in 1991 has pushed the country to liberalize its economy toward a free-market system through encouraging foreign trade and foreign direct investments (Wolpert, 2008). According to World Bank report in 2011 (**Figure 3**), India was the world's tenth-largest importer and the nineteenth-largest exporter (World Trade Organization, 2010).

India's GDP at purchasing power parity could overtake that of the United States by 2045. During the next four decades, Indian GDP is expected to grow at an annualized average of 8%, making it potentially the world's fastest-growing major economy until 2050. (Hawksworth and Tiwari, 2011)

From a geopolitical point of view, world today represents a scene of war for power between the United States, Russia, and China. BRICS for India is a tool for balancing these powers to provide its interests in such a world system. As one of the main goals of the platform, BRICS aims to reshape the international financial and economic system and to promote financial stability for building a balanced international system. Besides, BRICS was formed as the voice of the developing countries whose voices haven't being heard by the Western powers since beginning of time. Therefore, BRICS is a platform which represents the global South and desires to promote the rights of the global South.

In addition, India needs to continue the balancing movement between Russia and China on the one hand and the United States on the other. Although India has played an increasing role in global affairs over the past decade and has helped steer the global agenda, the current attitudes of BRICS leaders are also seen as strong personalities with a distinct nationalist agenda. South Block sees this as a potential for cooperation, as leaders have more in common than before.

Over a hundred meetings related to BRICS were held in 2019 under the presidency of Brazil. There were important developments at the summit from the perspective of India. The group decided to open a regional office of the New Development Bank (NDB) in India. Hopefully, this will accelerate the financing of projects in the priority areas of India. India proposed the establishment of NDB at the fourth BRICS summit

in New Delhi. NDB was founded in 2014 without the veto power of five BRICS members contributing to an equal amount of economic capital and having equal voting rights. Unlike the World Bank and IMF, NDB also aims to provide unconditional financing. This reflects true equality in a global financial institution and tries to correct the North–South divide that exists in the management of the NDB World Bank and IMF. On a different level, BRICS membership raises the global profile of India. Although there are difficulties in the BRICS orbit, grouping will continue to be an important value for India in the coming years.

### 3. CONCLUSION

As an growing power, India is confronted with multilateral institutions, policies, and rules that reflect the preferences of established powers. In this multilateral global order, India often stands by China and other members of BRICS on reform demands. Indian policymakers therefore welcomed the framework as a “rising power” and mediated BRICS as another way to global impact. However, the regional level presents a different picture. India maintained strong ties with Russia and maintained a strategic rapprochement with the United States and tried to build stronger ties with South East Asia and wider Indian countries. The main reason for this is that China’s rise in Asia removes the balance of power supporting the region. In Asia, India has balanced China’s rise as a global new superpower. In the WTO, India has established bargaining coalitions with other members of BRICS. India has also worked with China and BRICS for reform within the IMF.

Of course, it is a fact that the BRICS countries cannot agree on everything, and this was not a mission of cooperation. The grouping encourages its members to identify areas of co-operation and encourages reforms in international financial institutions. It also provides a platform that can be effective for resolving disputes. The India–China border dispute is one example of how important and key BRICS can play. Asia has the lowest institutional density in the world. The BRICS grouping is one of the few teams that forces Indian and Chinese policymakers to work together on a variety of issues, thereby creating personal relationships that can be extremely effective in moments of tension. BRICS grouping will help a lot if only one slice can make a positive impact on this. In this context, the BRICS platform can make an important contribution.

The Sino-Indian geopolitical rivalry today has multifaceted implications for developments in the South Asian region and most likely for BRICS. Disputed lands are not worth a war between two countries. BRICS is not a trivial collaboration for New Delhi. India’s exit from BRICS does not seem like a good option. Since BRICS is jointly established by the five powers, and China does not own BRICS. It is quite possible that the global and BRICS health governance system will be another emerging area of cooperation within the BRICS group after the upcoming BRICS summit. BRICS is a platform for emerging powers and its capacity cannot be ignored as a regional political debate. BRICS will create some steps for a friendlier solution.

India supported the Russian and Chinese plans to revise the international monetary system by reducing the international domination of the US dollar. A change in the dollar system involves both a change in the international monetary system and the redistribution of the costs and benefits of controlling the actual currency of the world. This situation can be interpreted as an important step for the end of the global economic order driven by Western powers.

This shows that India is a strong intermediary to great power competition and institutional level. These two attitudes of Indian foreign policy are not mutually exclusive policies. On the contrary, they are highly related to each other. Although the importance of international institutions continues, geopolitical tensions between the great powers are increasingly affecting these institutions and their structures. From this point of view, “New Development Bank” of BRICS and BRICS itself are examples of a new inter-institutional competition policy.

As the numerical data shared in the article show, BRICS has been a very important cooperation for the development of the Indian economy and to increase its share in the world market. BRICS membership has been very effective in India’s gaining a large place in the capitalist world economy and showing a sustainable and stable development by strengthening this place. BRICS is a very important example in terms of resolving regional disagreements, supporting developing countries, demolishing the hegemony of the Northern industries, which are the founders of the world capitalist system, and proving that the world does not consist only of these countries. The positive impact on India’s economic development and the support of developing countries to not be dependent on the industrialized Northern countries increase the importance of BRICS.

**Conflict of Interest**

None.

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