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“BRICS Towards Emerging Economic Power And Shaping Global Economic Paradigms”

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Abbreviations

BIS- Bank for International Settlement

BRIC – Brazil, Russia, India, and China

BRICS – Brazil, Russia, India, China, and South Africa

CRP - Currency Reserve Pool

G7 – Canada, France, Germany, Italy, Japan, United Kingdom and United States of America

GDP – Gross Domestic Product

NDB - New Development Bank

US – United States

USD – United States Dollar

Abstract

The BRIC concept, first termed by Jim O'Neill in 2001, initially included Brazil, Russia, India, and China, later expanded to BRICS with the addition of South Africa in 2010. After 2023 this block is progressed to BRICS Plus. This article investigates the BRICS presence as a global economic power, their collective de-dollarization efforts, and their impact on the global economy. This study utilizes a comprehensive analysis of

theoretical aspects, statistical data, and empirical studies available from the past. The initiatives by the BRICS nations like, the New Development Bank, currency reserve pool, de-dollarization efforts on international trade among the members signify BRICS' rise as key actors in reshaping world economic governance. Despite internal gaps, BRICS nations are progressively collaborating in the issues of economy, global governance, and international diplomacy. The article emphasizes BRICS' potential to challenge traditional global economic foundations and offers visions into policy reforms that advance economic growth and regional integration. Moreover, the narrative of BRICS as a choice to the G7, with prospects of establishing its own exchange and norms, highlights its importance in current global geopolitics. The study also reviews BRICS' attempts towards de-dollarization, evident in commitments to promote local currency finance, and initiatives for starting an international reserve currency. Through the analysis of trends in GDP growth, foreign exchange markets, and de-dollarization strategies, this article highlights BRICS' fundamental role in shaping the changing global economic order.

Key Words: Brazil Russia India China South Africa (BRICS), gross domestic product, de-dollarization, foreign exchange

“BRICS Towards Emerging Economic Power and Shaping Global Economic Paradigms”

Introduction

The BRIC was first used by British economist Jim O'Neill in 2001 to describe the economic capability of Brazil, Russia, India, and China. Since then, the BRIC countries were successful for their rapid economic growth, reduced poverty significantly, and become major players of the global economy. However, the BRIC is not only an economic narrative; it also has own political, social, cultural, and environmental implications. BRIC group was renamed as BRICS (Brazil, Russia, India, China, South Africa) after South Africa was accepted as a full member on 2010 in BRIC Foreign Ministers' meeting. This article will explore and analyze the facts and figures on how BRICS Nations are emerging as economic power and making their collective actions towards de-dollarization. To understand the multifaceted nature of the BRICS, it is essential to go through various theoretical, conceptual and statistical lenses.

The strategies and actions carried out by BRICS nations to enhance economic collaboration, such as the formation of the New Development Bank (NDB) and the Currency Reserve Pool (CRP), emphasize their emergence as important players in shaping global influence through economic integration (Parfinenko, 2019). Despite disparities, BRICS nations must engage extensively to foster collaboration in digital economy, global governance, and international diplomacy, with the ongoing enhancement of BRICS mechanisms towards potential formation of a unified market or free trade zone (Li & Pogodin, 2020). “The BRICS, which collectively account for about a quarter of global Gross Domestic Product (GDP) and 42% of its population, is being suggested as an alternative to the G7, with its own currency displacing the US dollar as the international vehicle currency, and its own norms reflecting the Global South’s perspective on issues not the Global North’s” (Ciuriak, 2023). BRICS nations hold their strength in shaping global economic governance, offering valuable insights for policy reforms that contribute on economic growth, regional integration in global governance, and economic advancement. BRICS can both challenge and supplement to established global economic institutions like the IMF and the World Bank (Ciuriak, 2023). BRICS nations, by introducing and accepting the existence of the New Development Bank and Currency Reserve Pool, are declaring that the bloc holds a strong economic ability and keep the strength of challenging existing global economic institutions. These efforts are mainly focused for wider partnership in global governance, international diplomacy and digital economy to achieve the unified market or free trade zone.

Evidence of shifting global power, existence of different prospectives in the unipolar world dominated by western philosophy and the pathways of BRICS Plus is strong evidence of shaping alternative global paradigms (Gouvea & Gutierrez, 2023). Duggan et al., (2021) discusses challenges within traditional global governance structures, such as the World Trade Organization and the Bretton Woods Institutions and evaluates the impact of initiatives like the Belt and Road Initiative, the New Development Bank, and the Asian Infrastructure Investment Bank, shedding light on the BRICS group's relevance amidst contemporary geopolitical shifts, underscoring its diversity and absence of a unified strategy.

One of the key issues of August 2023 BRICS summit conversation was on the frustrations with the dollar, during that summit Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates (UAE) were also invited to join the bloc (Reuters, 2023). The view from different countries is coming that why should they

use USD (United States Dollar) to import from India or China or Russia or any other countries. The NDB has committed to promote local currency finance rather than relying on the USD is purely the tip of the iceberg of BRICS' de-dollarization plans (Liu & Papa, 2022). Russian President Vladimir Putin during 2022 BRICS summit announced that the BRICS bloc was working to create international reserve currency.

Methodology, Methods, and Objectives

An extensive review of reports from BRICS, research papers and articles related to BRICS Nations, their economy, annual economic growth since 2000, initiatives taken for de-dollarization, and global financial market trends will be carried out to draw the conclusion. The data related to GDP, GDP growth and foreign exchange market will be collected from Statista and Bank for International Settlement (BIS) Quarterly Review and presented in charts with elaboration. In addition, the researcher will give synopsis of relevant economic theories in relation to the underlying drivers of economic shifts and de-dollarization trends within the BRICS bloc.

Theoretical Aspect of BRICS

The abbreviation BRICS known as the group founded by the governments of Brazil, Russia, India, China and South Africa in 2009. BRICS bloc is home to 3.27 billion population which is around 41.13 % of the world's population; with China and India holding largest population share of 87 % in BRICS (Jutten et al. 2024). Economic development is highly associated with human wellbeing. The concept of economic development became more familiarize after the Simon Kuznets introduced the concept of Gross Domestic Product (GDP) for measuring economic growth and Bretton Woods Agreement in 1944 under which the gold was basis for USD and other currencies pegged to the USD value. This was more emphasized by modernization, industrialization, westernization, and liberalization. The BRICS nations were also influenced by theory of economic development but wanted to come up with their own models and disagree on western one fit for all models for development and growth. BRICS nations have gone through the ups and downs for their economic growth and development. The neoclassical growth theory, liberalization theory, and neo liberalization theory emphasize the role of capital accumulation, technological innovations, industrial development, and policy reforms for economic growth. The BRICS nations have reformed their policies with the motive of attracting

foreign investment, promoting export, and investing in human capital, which have contributed to their rapid economic expansion (Acemoglu, 2009).

Global economic structures perpetuated underdevelopment in less-industrialized nations (Frank, 1966). Such alternative thoughts coming from different thought leaders were contributing to build the alternative paradigms and BRICS is one of them. BRICS nations were able to exploit the benefit of globalization through advancements in technologies, better communication infrastructures, and transportation facilities have facilitated greater economic integration among nations, that significantly contributed the BRIC nations to participate more actively in global trade and influx of the investments (Friedman, 2005). The bloc leveraged their comparative advantages in terms of natural resources, low-cost labor supply, and national and international market potential to enhance their competitiveness in the global economy. The rise of BRICS nations in global economy has reshaped the geopolitical landscape and challenged existing power structures and meta narratives shaped from an international relations perspective. The realist philosophers argue that the BRICS nations' growing economic and military abilities have led to shifts in the balance of power, that directly impacts on the regional and global security (Mearsheimer, 2001). In contrast, the liberal philosophers are very much optimistic and highlight the possibility for cooperation and multilateralism among the BRICS nations to deal with common challenges such as climate change, poverty, and terrorism (Keohane & Nye, 2001).

Dependency theory, developed in the 1960s and 1970s, brings different perspectives in the relationship between developed and developing countries. According to Frank (1966), developing countries are structurally forced to be dependent on developed countries for capital, technologies, and access to market, which perpetuates their underdevelopment. The BRICS nation's efforts to establish greater economic independence and challenge the supremacy of western powers align with the core tenets of dependency theory. State-led development theories focus on the role of the state in driving economic growth through strategic planning, industrial policy reforms, and public investment in education and research. Johnson (1982) argue that the success of east Asian countries like Japan, South Korea, Singapore, Hongkong, and Taiwan in achieving rapid industrialization and growth was due to strong government intervention in the economy. The BRICS bloc has adopted similar interventions, strategies, but in a different way of state intervention, to promote key industries, investments, exports, and infrastructure development.

South-south cooperation is the concept of collaborative efforts among developing nations to deal with their common challenges and promote economic growth and development (UNDP, 2018). This perspective is important in the global south and BRICS bloc to advance shared interests and guidance to the changing global economic order. Due to the rapid industrialization and urbanization, the BRICS Nations encounter pressing environmental issues such as air and water pollution, deforestation, ecological losses, and climate change. Mol & Spaargaren (2000) suggests institutional changes and technological innovations to balance economic development with environmental protection, that allow the step forward pathways towards sustainable development. BRICS nations should adapt ecological modernization for sustainable development.

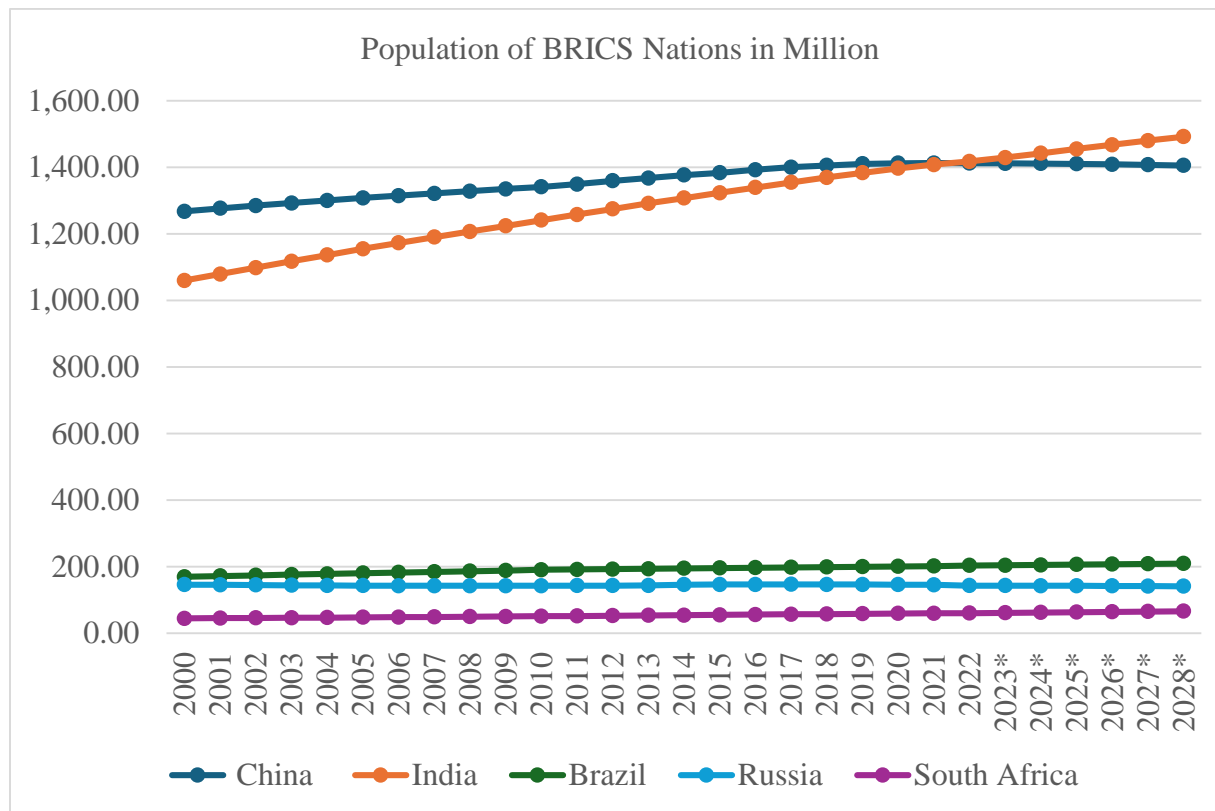
Expansion of BRICS or BRICS Plus formally happened after admitting four new countries: Egypt, Ethiopia, Iran and the United Arab Emirates on January 2024 turning into BRICS Plus. The group's decision to open the door to new members was taken at its Johannesburg summit in August 2023, this is taken as paradigm shift and creating debate about BRICS's growing international influence. According to Mol South Africa, that chaired the BRICS summit in 2023, more than 40 countries had shown a willingness to join the group, and 22 had formally submitted their applications (Cocks, 2023).

Discussion and Interpretations

BRICS population

The relationship between population and economic growth remains controversial since very long ago, low population growth in high-income countries contributes to create social and economic problems while high population growth in low-income countries may slow their development (Peterson, 2017). In contrast, some argue that high population is the biggest contributor of innovation and generating economy of scale. Boserup (1981) in their book argue that increasing population density can act as a catalyst for technological innovation in agriculture that incentivized farmers to adapt more efficient farming practices and utilize new technologies to maintain productivity. Similarly, Lucas (2002) brings the thoughts of concept of economies of scale; with a larger population, a country can exploit the benefit from economies of scale in production and consumption. This comes through lower average costs of production per unit, possibly boosting economic growth. Going through the demographic distribution of China, India and some other countries having high demographic concentration the theorist can claim that the population is one of the major drivers of economic growth.

Chart: 1 Population of BRICS Nations

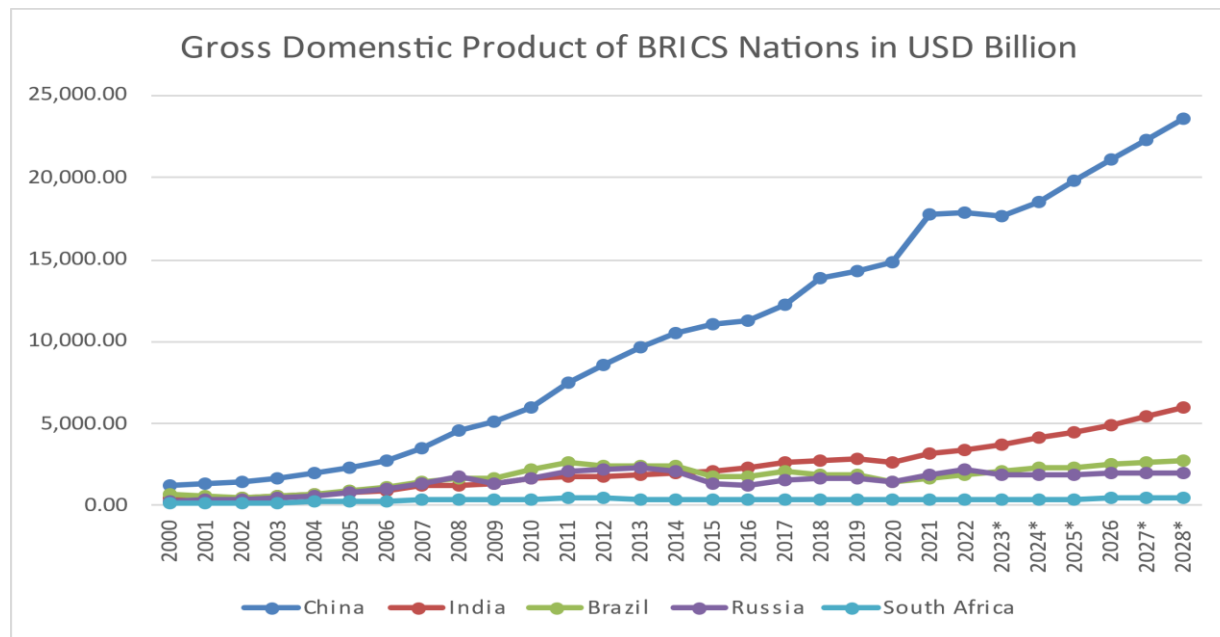


Source: Statista (2022)- Total population of the BRICS countries from 2000 to 2028 (Population of 2023 – 2028 are forecasted)

Gross Domestic Product and Economic Growth of BRICS Nations

According to Iqbal (2022), BRICS nation’ role and contribution is significant to the global economy in terms of population (40%), GDP (25% nominal and US\$ 16.039 trillion), land coverage (30%), world trade (18%), and global forex (US\$ 4 trillion). After formal expansion of the BRICS in January 2024, this reached almost 30% of global GDP and 46% of global population (Economic Times., 2023, August 29). The BRICS bloc has gone through the pathway of its excellent economic growth since 2000.

Chart: 2 Gross Domestic Product of BRICS Nations



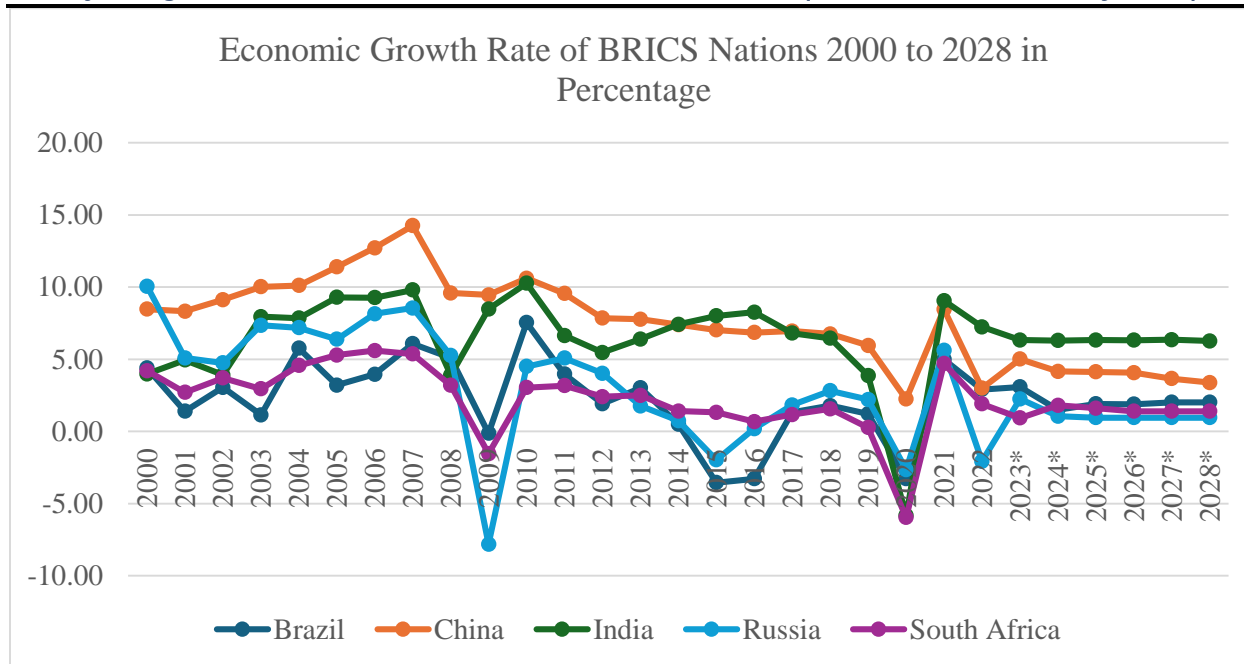
Source: Statista (2022)- Total GDP in Billion USD BRICS countries from 2000 to 2028 (Population of 2023 – 2028 are forecasted)

Among the BRICS nations China steadily has the highest GDP throughout the entire period. It achieved remarkable growth, nearly doubling from 2008 to 2011 and continuous growth steadily thereafter. GDP of India has gone up over the years with continuous growth, the remarkable growth seen in recent years. There is seven times growth in Indian GDP between 2000 to 2022.

Brazil has gone through heavy fluctuation in its GDP that continued from 2011 to 2020. It is expected to go slightly up of its GDP in 2028 that it achieved in 2011. GDP of Russia demonstrates comparatively stable growth with minor fluctuations. There is a small decline from 2014 to 2017, followed by a recovery in the succeeding fiscal years. South Africa's GDP demonstrates moderate growth over the years, where fluctuations were observed in 2012 to 2023 (projected figure in 2023). There is a noticeable decline in GDP from 2015 to 2020, followed by a recovery in the later years. South Africa's GDP forecast for 2028 is slightly above to its GDP achieved in 2011.

The GDP data for the period of 2023 to 2028 are forecasts. These forecasts indicate constant growth for all BRICS countries, with China and India maintaining their positions as the top two economies in the bloc. Overall, the data highlights the economic dynamics within the BRICS countries.

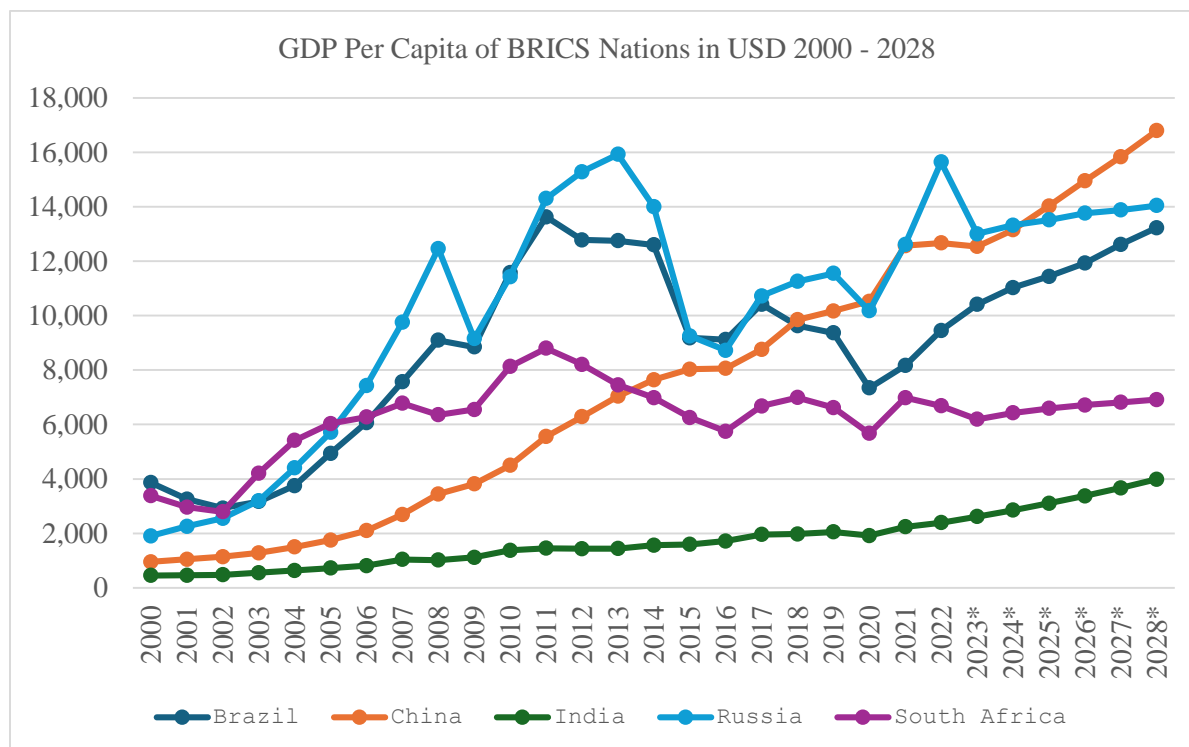
Chart: 3 Economic Growth Rate of BRICS Nations



Source: Statista (2022)- Economic Growth Rate of the BRICS countries (in percentage) from 2000 to 2028 (Economic growth of 2023 – 2028 are forecasted)

GDP growth rates of BRICS nations from 2000 to 2022 and forecasted for 2023 to 2028, demonstrate highly fluctuating. The highest growth rates enjoyed by China, followed by India. Massive fluctuations were seen in the economic growth of Russia, Brazil and South Africa that remain mostly during the period of 2009 to 2020. Despite adversities such as the 2008 financial crisis and the COVID-19 pandemic, the BRICS nations demonstrate resilience to their positive economic growth. The best part is that these nations' GDP growth is consistently going up after 2020 pandemic.

Chart: 4 Gross Domestic Product Per Capita of BRICS Nations



Source: Statista (2022)- GDP Per Capita in USD of the BRICS countries from 2000 to 2028 (GDP per capita of 2023 – 2028 are forecast)

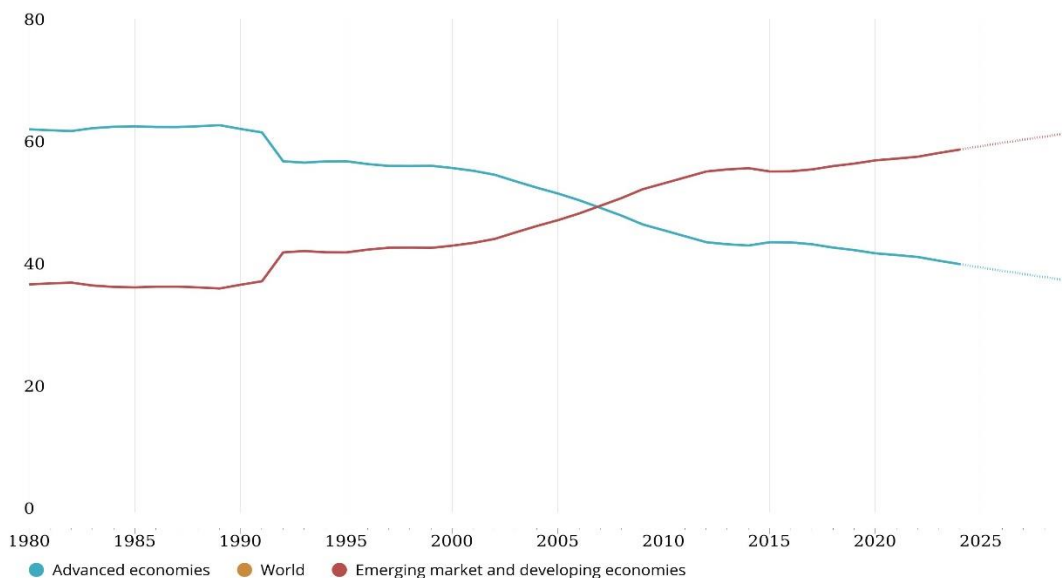
The GDP per capita contrasts substantially among the BRICS nations over the period of 2020 to 2022 and the forecast period of 2023 to 2028. China and Russia have highest consistent GDP per capita growth. India demonstrated constant growth but in very slow motion in comparison to China and Russia. Brazil and South Africa remain more volatile, with high fluctuations in GDP per capita over the years. Forecast for GDP per capita in the years 2023-2028 indicates constant growth for all BRICS countries. Despite constant growth in GDP per capita, BRICS bloc need to focus on inclusive growth, environmental protection, and climate crisis for sustainable development.

GDP based on purchasing power parity (PPP) share of the world.

The world bank has segregated the world economy as advanced economy and emerging market and developing economies. G7 countries fall under the advanced economies and BRICS economies under emerging market and developing economies. The chart below clarifies that since 1980 there has been significant decline of global GDP share of advanced economy and the growth of emerging market and developing economies.

IMF DataMapper

GDP based on PPP, share of world (Percent of World)



©IMF, 2024, Source: World Economic Outlook (April 2024)

Source: IMF, 2024, World Economic Outlook (April 2024)

The World Bank has forecasted share of global GDP in 2025 is expected to drop at 40.62 percent from around 62 percent in 1980. In the other side the emerging market and developing economies grow from around 38 percent in 1980 to 59.38 percent in 2025.

GDP projections of 2023

The below tables show the information of share of global GDP of BRICS block and the G7 nations. BRICS and G7 are two giant blocks constituting the highest GDP share in total global GDP.

BRICS Nations (GDP projections at global Share)

BRICS Countries	Share of Global GDP	2023 GDP (USD billions)
China	18%	\$19,374
India	4%	\$3,737
Brazil	2%	\$2,081
Russia	2%	\$2,063
South Africa	0.40%	\$399
BRICS Total	26.40%	\$27,654

Source: IMF, (2023) Forecast

G7 Nations (GDP projections at global Share)

G7 Countries	Share of Global GDP	2023 GDP (USD billions)
United States of America	25%	\$26,855
Japan	4%	\$4,410
Germany	4%	\$4,309
UK	3%	\$3,159
France	3%	\$2,923
Italy	2%	\$2,170
Canada	2%	\$2,090
G7 Total	43%	\$45,916

Source: IMF, (2023) Forecast

IMF has forecasted that the BRICS nations will be sharing around 26.40 percent of global GDP in 2023, with China having highest global GDP share of 18 percent. Similarly, the G7 bloc will have 43 percent share of global GDP. Among the G7 Nations, United States of America constitutes 25 percent of total global GDP. As India's GDP is growing rapidly, they will be in third position soon in future by leading Japan and Germany which are now at third and fourth global GDP nations. The formal inclusion of new members in BRICS block will have significant impact on global presence and economic influence of BRICS plus bloc nations.

BRICS and De-dollarization

This International Monetary Fund (IMF) working paper by Ostry et al. (2022) gives the recent assessment of the US dollar's dominance in the international financial system. It explores recent de-dollarization tendencies and the potential drivers behind them, including policy decisions by various nations. The popularity of financial dollarization has caused risks to monetary policy effectiveness and long-term financial stability (Levy Yeyati, 2021). They further argues that strategies to encourage de-dollarization include revising regulations, promoting local currency usage, and extending local capital markets. These actions aim to mitigate the adverse impacts of dollarization and enhance monetary policy autonomy, eventually fostering greater resilience in the face of economic shocks.

The research paper by Szubin et al. (2024) examines the BRICS' de-dollarization efforts, it analyzes policy initiatives aimed at reducing reliance on the dollar and explores the challenges and complexities involved in achieving this goal. Recent research indicates that roughly 40 percent of foreign exchange turnover for the dollar is driven by its use to facilitate the exchange of two other currencies (Somogyi, 2023). This clearly

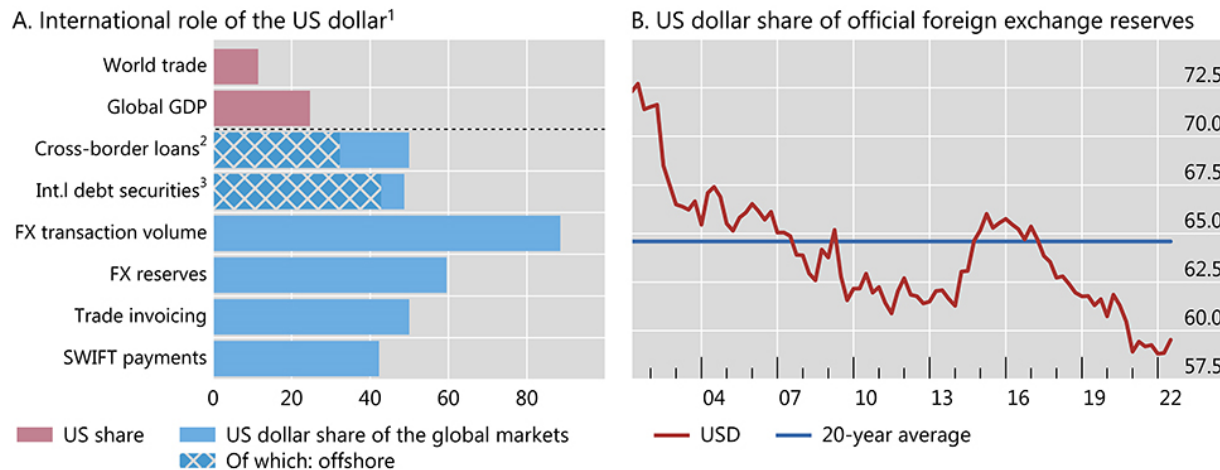
shows that USD is losing its credibility in international financial markets due to availability of options and the shifting power dynamics in international market.

Graph: 1 The International role of USD

The international role of the US dollar

In per cent

Graph A2



¹ Data refer to latest available value. ² USD-denominated cross-border loans by banks to counterparties in all countries (excluding inter-office claims but including interbank claims on account of loans and deposits). Offshore refers to cross-border loans excluding loans from United States and on United States. ³ USD-denominated international debt securities by all issuers; these securities are issued outside the local market of the country where the borrower resides (eg eurobonds or foreign bonds). Offshore refers to USD-denominated loans/debt issued outside United States.

Sources: G Gopinath, "The international price system", NBER Working Papers, no 2164, 2015; IMF; Bloomberg; CPB World Trade Monitor; SWIFT; BIS debt securities statistics; BIS locational banking statistics; BIS Triennial Central Bank Survey.

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Source: (Drehmann, & Sushko, 2022). BIS Quarterly Review

The above figure from BIS quarterly review is excellent evidence of de-dollarization of international financial systems. The use of USD has remarkably drop in 20 years from 72.5% in 2002 to 57.5% in 2022. The BRICS bloc has agreed to explore the alternative of USD to facilitate international trade in their summit in South Africa on August 2023. BRICS nations hold 30% of total GDP and their agreement on de-dollarization will further contribute to minimizing the use of USD in international financial system.

Conclusion

The data, theoretical arguments, and figures presented are the strong evidence of the significant role of the BRICS bloc in shaping the global economic landscape. The considerable contributions in terms of population, GDP, and international trade, the BRICS nations have emerged as a challenging force in the international politics. The bloc led by current economic centers like China and India, the BRICS nations have demonstrated remarkable resilience and stable growth, even in the face of challenges such as international financial crises

and COVID 19 pandemics. This sustained growth course of action is further highlighted by forecasts indicating constant economic extension for BRICS nations, confirms their increasing importance on the world stage. Moreover, new trends in de-dollarization efforts and the move away from the US dollar underline the growing dynamics of the global financial system, with BRICS nations leading these initiatives. As BRICS nations together hold a substantial portion of the global GDP and dynamically explore alternatives to the USD for international trade, their intensive efforts are accelerating the restructuring of economic power away from traditional Western economies toward global emerging markets. This evolution not only reflects the growing inspiration of BRICS nations in shaping global economic policies but also indications a broader paradigm shifts in the global economic order, that impacts for financial markets, trade dynamics, and geopolitical relationships.

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