A Comparative Study of BRICS Countries

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ABSTRACT

Today the world dynamics are changing. The importance of developing nations is increasing significantly in this 21st century. In this context the role of BRICS in shaping the world economy has increased manifold. This paper aims to do a comparative study among the BRICS nations based on five different indicators. This helps us in finding out the relative importance and potential of each of the BRICS nation. This will further help us in formulating the policies of the future.

KEY WORDS

Foreign Exchange Reserves, Gold Reserves, Gross Domestic Product (GDP), Gross Domestic Product per Capita, Population

INTRODUCTION

The acronym BRIC was formulated by Chief Economist of Goldman Sacks Jim O’Neill in 2001 in a paper entitled “Building Better Global Economic BRICs”. BRIC includes Brazil, Russia, India and China. With the inclusion of South Africa in 2010 the group was renamed as BRICS. All the five countries are newly industrialized or emerging economies of the world. In 2006 the Foreign Ministers of BRIC nations met on the sidelines of 61st General Assembly of United Nations in New York. Until then the BRIC was just four individual countries with qualities which allowed them to be grouped together but the situation changed after the meeting of Foreign Ministers in New York. BRIC was looked upon as a potential force leading the future economic growth of the world. BRICS has no formal charter, no permanent secretariat nor funds to finance its activities, rather it is the political will of its members which sustains it. In the nine years since this idea started germinating and six years from its first summit in Yekaterinburg, Russia, BRICS has come a long way in guiding the world economics. This leads us to examine the potential of each country in detail and also look at the combined strength of BRICS nations. In this context we look below at each country of the BRICS in detail.

A LOOK AT THE BRICS COUNTRIES:

1. BRAZIL

Brazil is the largest country in both South America and Latin America and the fifth largest country, both by geographical area and by population. Brazil’s has over the years become an important player in the world given its growing economic strength and vast natural resources. On the economic front Brazil has experienced rapid growth led by urban development and urbanization. The two main urban conglomerates of Brazil are Sao Paulo and Rio de Janeiro which are also the main centers of economic growth. Brazil is also naturally endowed with rich
flora and fauna. It has dense rain forests and jungles and a vast coastline. Fishing is one of the major economic activity of the people of this reason. It has rich natural deposits of iron ore, manganese, bauxite, nickel, uranium etc

2. **RUSSIA**

Russia is the largest country of the world and the ninth most populous country. It is spread over most of North Asia and Eastern Europe. Russia has vast expanse of arable land, almost 10% of the total world arable land. Vast stretches of land are occupied with steppes forests. Russia has vast coastline which support various economic and recreational activities. Its economy is to a large extent dependent on resources of oil and natural gases found there. The importance of Russia in oil and natural resources can be judged from the fact that it is often referred to as “Energy Superpower” of the world. The major items of exports from Russia include oil, natural gas, metals and timber. After many years of deliberation in 2011 Russia joined the World Trade Organization and it is expected that this will boost the Russia’s economy by 3% annually. Russia’s importance in world can be judged from the fact that today it is member of almost all the important international organization. It is the country with veto power in the United Nations Security Council, a member of G20, Shanghai Cooperation Organization (SCO), Eurasian Economic Community (EEC), Commonwealth of Independent States (CIS) etc.

3. **INDIA**

India is the second most populous and the seventh largest country by area. Over the years India has emerged as regional power in Asia and the world economy. India today is leader in different fields. Its automotive industry and telecommunication density are the world’s fastest growing. Pharmaceutical industry has great potential for the global pharmaceutical industry. The main problem which India faces is on the socio-economic front. It has large numbers of its people living below poverty line. The sanitation and housing facilities are far below the world standards. Despite of these India is emerging fast as world economic leader.

4. **CHINA**

China is the most populous country in the world and second largest country by land area. China boasts of long and high cultural heritage. Paper, gunpowder, printing and compass are the four greatest gifts of China to the world. China’s economy has seen phases of boom and decline. With the reforms of 1978 it has become the fastest growing economy of the world. China is also the largest exporter and second largest importer of goods in the world. It has also the world’s largest foreign exchange reserves and the recipient of largest inward foreign direct investment. Today China has emerged as one of the superpower in almost every field. It has the largest military force in the world, a recognized nuclear power, a large market, leader in science and technology and a great trading power in the world. It is also one of the few countries in the world which rely on the ideology of
communism. Like Russia it is also member of United Nations Security Council and has veto power. Besides this it is also member of the major international organizations and important player in the world and Asian economy.

5. SOUTH AFRICA

South Africa is one of the few countries in Africa which have showed prospects of growth and development. It has a multiethnic society with different languages, cultures and religions. It is a country which has seen apartheid till 1994 until its majority population of blacks were given the right to vote. It has along coastline of about 25,000km. Because of its flora and fauna South Africa is a popular tourist destination. Tourism is also a source of revenue for the economy of South Africa. It has a mixed economy and like other African countries a economy characterized by high rate of poverty, unemployment and income inequality. The majority black population leads impoverished lives and secluded from the outer world. It may be considered as a newly industrialized country with strong regional influence in the African region and economy.

OBJECTIVE OF THE STUDY

The paper aims to study the relative importance of each of the BRICS country based on five parameters.

RESEARCH METHODOLOGY

The paper aims to study the economic condition of the five member countries of BRICS on the basis of five indicators. These indicators are Gross Domestic Product (GDP), Population, GDP per Capita, Gold Reserves and Foreign Exchange Reserves. The five indicators chosen signify the economic and financial condition of each country on five different fronts. Gross Domestic Product (GDP) is used because it shows the health of the economy, the value of goods and services which. It helps us to get an idea about the size of the economy. GDP values can be used to find the growth trajectory of the economy and also an indication of the success or failure of economic policies. The next indicator i.e. population refers to the total number of people living in a specific country. It shows the number of people dependent on the economy of a specific country.

The indicator GDP per capita is considered a better measure of comparing the economy of different countries. GDP per capita gives a rough idea of the living standards of its people. Some countries have the fastest growth in the GDP in the preceding years but when account for the growth of population is taken into account it shows a different picture. The next two indicators are gold reserves and foreign exchange reserves. Gold is considered as a safe measure of store of value. It is considered easily redeemable store of value. In some countries like India the demand for gold is also because of certain local and regional factors. The amount which a country holds in form of foreign exchange reserves shows its potential to sustain and external risk. Foreign exchange reserves are also considered as a measure of savings adopted by countries.
DATA ANALYSIS

TABLE 1. DIFFERENT INDICATORS AND THEIR RESPECTIVE VALUE’S FOR BRICS COUNTRIES

<table>
<thead>
<tr>
<th></th>
<th>UNIT</th>
<th>BRAZIL</th>
<th>RUSSIA</th>
<th>INDIA</th>
<th>CHINA</th>
<th>SOUTH AFRICA</th>
<th>BRICS (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (Dec,2014)</td>
<td>USD Billion</td>
<td>2346</td>
<td>1861</td>
<td>2067</td>
<td>10360</td>
<td>350</td>
<td>16984</td>
</tr>
<tr>
<td>Population (Dec,2014)</td>
<td>Million</td>
<td>203</td>
<td>143.7</td>
<td>1238.89</td>
<td>1367.82</td>
<td>54</td>
<td>3007.18</td>
</tr>
<tr>
<td>GDP per Capita</td>
<td>USD</td>
<td>11571</td>
<td>12874</td>
<td>1633</td>
<td>7595</td>
<td>6483</td>
<td>40156</td>
</tr>
<tr>
<td>Gold Reserves (March,2015)</td>
<td>Tonnes</td>
<td>67.18</td>
<td>1238</td>
<td>558</td>
<td>1054</td>
<td>125</td>
<td>3042.18</td>
</tr>
<tr>
<td>Foreign Exchange Reserves (May,2015)</td>
<td>USD Million</td>
<td>366647</td>
<td>356770</td>
<td>354520</td>
<td>3730000</td>
<td>45470</td>
<td>4853407</td>
</tr>
</tbody>
</table>

Source: Compiled from website tradingeconomics.com and the official websites of each country

Table 1 shows the value of different indicators for the five BRICS countries. The five indicators which are used in the study are Gross Domestic Product (GDP), Population, GDP per Capita, Gold Reserves and Foreign Exchange Reserves.

TABLE 2. PERCENTAGE SHARE OF EACH BRICS COUNTRY OUT OF TOTAL

<table>
<thead>
<tr>
<th></th>
<th>BRAZIL</th>
<th>RUSSIA</th>
<th>INDIA</th>
<th>CHINA</th>
<th>SOUTH AFRICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP(%)</td>
<td>13.81</td>
<td>10.95</td>
<td>12.17</td>
<td>60.99</td>
<td>2.06</td>
</tr>
<tr>
<td>POPULATION(%)</td>
<td>6.74</td>
<td>4.77</td>
<td>41.19</td>
<td>45.48</td>
<td>1.79</td>
</tr>
<tr>
<td>GDP per Capita(%)</td>
<td>28.81</td>
<td>32.05</td>
<td>4.06</td>
<td>18.91</td>
<td>16.14</td>
</tr>
<tr>
<td>Gold Reserves(%)</td>
<td>2.20</td>
<td>40.69</td>
<td>18.34</td>
<td>34.64</td>
<td>4.10</td>
</tr>
<tr>
<td>Foreign Exchange Reserves(%)</td>
<td>7.55</td>
<td>7.35</td>
<td>7.30</td>
<td>76.85</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Source: Calculated from the data mentioned in Table 1

From the data in Table 1, Table 2 is generated. Table 2 gives a clear picture of the percentage share of each country out of the total of BRICS country on different parameters.

From table 2 it can be seen that China leads all the countries on both these indicators. It has about 61% of the GDP of the entire BRICS countries. This shows why China has been a dominant partner among the member BRICS countries. Also it has about 45% of the population of all the BRICS
countries. China being the most populous country of the world has large population to cater to. Brazil has the second largest GDP among the BRICS countries and marginally above India which is at the third place. Also the difference between China and Brazil is of about 47% which is a huge difference. Russia ranks at fourth place with about 11% share in the GDP and South Africa at last place with only about 2% of the GDP. We can see that there is huge difference between China and Brazil but Brazil, India and Russia have almost same share in the GDP.

In terms of population India comes after China. There is not much difference (only about 4%) in the population of China and India. These two countries have nearly 87% population of the group. Other three countries (Brazil, Russia and South Africa) have only 17% of the population. China and India share about 73% of the GDP but 87% of the population. For other three countries it is 27% of the GDP and 13% of the population. It reflects why population has been one of the major problems of China and India.

The combined effect of GDP and Population is reflected in GDP per Capita. On the basis of GDP per Capita, Russia leads the BRICS nations followed by Brazil. South Africa is at fourth place and China and India the two most populous countries of the world are at third and fifth place respectively. India has performed worst in terms of GDP per Capita. The difference between the top four countries and India is large. This is an indicator of the miserable condition of the people in India.

Russia has the largest reserves of gold followed by China. India has about 18% of the gold reserves and South Africa and Brazil have small share in gold reserves. The amount of gold reserves a country holds are governed by regional factors like the worth associated with the possession of gold, the charm for ornaments etc.

Foreign exchange reserves are extremely high. China accounts for almost 77% of foreign exchange reserves among BRICS countries. At the second, third and fourth place are Brazil, Russia and India respectively. The foreign exchange reserves of these countries are within the range 7% to 8% with minor difference. The difference between China and rest three countries is about 70%. China has over the years gathered huge deposits of dollar reserves as a cushion against external shock. The foreign exchange reserves of South Africa are less than 1% of the group.

CONCLUSION

The present study was conducted to study the importance of each member of the BRICS countries. It can be seen from the above analysis that BRICS is a grouping of countries which have great potential to grow in future. It is believed that future belongs to BRICS nations. BRICS have China and India which are the two most populous countries. Any policy of these countries affects large numbers of people. These two are also among the fastest growing economies of the world. Russia which was once the superpower is still leader in different field. Its resources of oil can be a source of boost for its economy and the world. Its weapons industry is one of the
best in the world. Brazil and South Africa are also countries which hold great potentials for the future. These countries have for long have been secluded from the world because of their culture and tribal lifestyle but today they are playing an equally important role in the world economical and political matters. Brazil is leader among the South American countries and South Africa among the African countries. In totality BRICS is a grouping which has countries from the developing world and which are/were leaders in their region. BRICS countries in the future are bound to emerge as world leaders only if the untapped potential in these countries are harnessed properly. The developed countries and the leaders of BRICS countries should work in harmony for the betterment of common people of this world.

REFERENCES

[1] BRICS Joint Statistical Publication (2015); Brazil, Russia, India, China, South Africa-235 pages