International Economic Integration of BRICS Countries—Driver of Regional and Global Economic Growth

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Abstract—The article examines the state and effectiveness of the integration processes of the international BRICS association. Since its establishment, the BRICS member countries have continued to deepen and increase economic integration, what became the driver of economic dynamism, both within the group and of the global economy on the whole, forming a polycentric global architecture of both economic and institutional space. At the regional level, BRICS economic integration has led to the intensification of bilateral relations between the members in direct investment, trade, access to technological advances, and the formation of bilateral financial funds. The study aims to assess the effectiveness of the integration between the BRICS countries, which were grouped with the effective use of the existing pool of competitive advantages of each of them. That enforced a synergistic effect of the evolution of an international economic association to the global level. The subject of the study is the development of economic relations of the BRICS member states in the direction of expanding the functionality and scale of integration processes. The hypothesis is grounded on the ability of the international level integration association BRICS to become a driver of balanced and sustainable economic growth of the direct regional participants and the possibilities of its influence on global economic trends and on the reform of the geo-economic structure. The scientific contribution consists in the analysis, synthesis, structuring and evaluation of the results of the BRICS international integration processes. The article presents analyses the economic indicators and the current institutional state of the association of BRICS, gives a comparative analysis with the economies of developed countries. In the work were used methods of analysis and synthesis, logical, comparative methods, system approach, and graphical method. In conclusion, effectiveness of integration relations between the BRICS member states is presented and tendencies of further expansion and strengthening of their economic integration are identified, based on mutually beneficial use of each country’s unique competitive advantages, on the striving for restructuring of national economies under the conditions of development of innovative and knowledge-intensive industries. Also a model of synergistic effect of BRICS integration is suggested.

Keywords: BRICS, international economic integration, economic growth, competitive advantages of a country

I. INTRODUCTION

The establishment of the international association BRICS, initiated by Russia in 2006, has changed the geo-economic structure formed as a result of the Second World War in an unprecedented way. Despite the gradual recovery of the world economy after the financial crisis, global economic indicators nevertheless do not demonstrate the stability of the upward trend, prices for energy resources and food products continue to be characterized by strong volatility, and countries still keep the protectionist regime of trade relations. In this context, the international integration of developing countries is particularly important as a tool to ensure stable and balanced global economic growth in the long run. The growing economic power, and hence the political weight, of developing countries has led to a multipolar system of international relations.

The formation of the BRICS marks the establishment of a new economic and political center of the world along with the traditional center of Euro-Atlantic. It reflects the objective trend of the world development towards the emergence of a polycentric system of international relations with the strengthening of economic international integration of countries, "ensuring a balance of external influences and regional priorities and taking into account the interests of all participants".[1]

In the present conditions, the transfer of economic power from the West to the East is characterized by a growing trend. The size of the economies of BRICS countries and the dynamics of their economic growth over the past 10 years, as well as the success in overcoming the global crisis, have given the BRICS countries solid reasons for transforming their economic potential into a political weight and for turning them into a driving force of the world economy.
II. METHODS

The research involves the use of statistical data and analytical papers published on websites of international and Russian financial organizations, international organizations for economic collaboration, BRICS, leading state news agencies and periodical publications of the Russian Federation.

In the sources used the following were analyzed: the GDP growth rates of the BRICS countries in the period 2000-2019; the share of the BRICS in the world GDP; the share of the group in the world indicators of exports and imports; the economic indicators of intra-group trade; the volume of investments, their direction and sources; priority groups of goods by the participating countries and the BRICS share in global statistics.

Statistical analysis of the volume and dynamics, goods and geographic structure of foreign trade within BRICS and the group in the whole identified a growing and expanding trend of foreign trade relations between the participating countries, what stimulated further interstate arrangements for the supply of goods in certain sectors, reduction of customs barriers, and transactions in national currency.

The consistently increasing share of GDP, exports and imports of BRICS in the global economy shows the strengthening role of BRICS in the global economy, which creates the conditions for fostering the interests of association by influencing the geo-economic architecture.

The growing share of BRICS investments in the world economy also reflects the growing position of BRICS in the global economy and is becoming an impulse for synergy of economic processes, foreign trade turnover and further GDP growth.

The analysis of evolution of BRICS’ institutional development as an interstate association and the composition of infrastructure projects of the Bank of New Development confirms the author's assumption about further intensification of integration collaboration of member states with further potential formation of a full-fledged autonomous financial architecture of world significance.

The BRICS Council of Think Tank’s (BTTC) report underlines that over the past decades, the association has played a vital role in stabilizing the global economic situation in terms of total world production, investments and consumer market potential, and continue to ensure further growth of the world economy. Joint BRICS policies on social inclusion contributed to job creation, poverty reduction and the struggle against inequality.

The objectives of the BRICS are to expand interconnections between the markets of the participating countries, strengthen mutual trade and investment, trade and investment cooperation in the production of high value-added goods and services among the BRICS countries, and enhance macroeconomic policy coordination to increase sustainability in the global economic situation. Priority areas of cooperation are trade and investment - exploiting opportunities of economic complementarity within the BRICS, production and processing of minerals, energy - energy resources and energy efficient technologies, cooperation in agriculture, science, technology and innovation, financial cooperation.

In order to fully realize their economic power, the BRICS countries are also committed to continuing their efforts to introduce changes in voting rights in the International Monetary Fund and the World Bank. By playing a key role in the international economic and political governance architecture, BRICS countries, through their collective position, influence structural change within existing multilateral institutions and facilitate efficient governance, inclusiveness and transparency, also representing the interests of other developing and emerging countries.

The author suggests considering the international BRICS association from the point of view of assessing the effectiveness of integration linkages between the member countries, which have been formed, developed and deepened since the first meeting of the foreign ministers of Brazil, Russia, India and China at the 61st session of the United Nations in 2006. The effects of economic integration processes at the international level, which can reveal the priority of the existing competitive advantages of the countries and the direction of the use of available resources were identified. The author has developed a model of synergetic effect of such integration cooperation, which enables to increase global economic positioning of its participants and the association as a whole. And along with the economic integration, the institutional development of the association makes it possible to form a collective position for the transformation of the existing geo-economic architecture in order to realize the economic interests of the member countries.

To justify the hypothesis that the international integration association BRICS has turned into a driving force of economic growth at the global level and uses its economic power to reform the geo-economic structure, the author used a number of methods of scientific research, which, in the opinion of the author, were best suited for the analysis and interpretation of the above-mentioned data sources.

Common characteristics and features of the BRICS countries were identified through analysis of the World Economic Forum's analytical reports for 2015-2019, the graphical method of statistical data clearly demonstrated the economic trends in intra-group interactions of the BRICS countries, as well as the impact of trends of the overall BRICS economic indicators on the world economy.

As a result of application of methods of analysis and synthesis, concordance of essential characteristics of BRICS member states, integration of facts in the direction, intensity and trends of economic indicators for the last 10 years BRICS, was presented as a distinct economic actor of the world economic space, which allowed to generalize and formulate the impact of integrated economic performance of BRICS countries on trends of development of geo-economic structure.

This finding is also supported by the fact that the United Nations Conference on Trade and Development’s (UNCTAD) statistical portal presents the BRICS countries as a separate group.
The comparison was used to compare the economic performance of the BRICS with that of the world’s leading countries and groups. As a result of the systematic approach, a model of synergetic integration processes of the BRICS countries was developed, which enabled to project the further direction of institutional development of this economic association and its place in the world economy.

III. RESULTS

The BRICS countries, as an inter-state association, demonstrate higher growth rates than developed countries and play a significant role in the world economy in terms of the dynamics of total production, investment and expansion of the potential consumer market “Tab. I”.

| Indicator | 2000−2004 | 2005−2009 | 2015 | 2016 | 2017 | 2018 |
|-----------|------------|------------|------|------|------|------|
| GDP       |            |            |      |      |      |      |
| BRICS     | 8.50       | 13.10      | 24.04| 24.98| 25.31| 23.58|
| USA       | 30.60      | 25.60      | 24.29| 24.58| 24.09| 23.88|
| Euro area | 21.30      | 22.00      | 15.58| 15.74| 15.62| 15.94|

Each country of BRICS group is the largest economy or contributes significantly to the economic development of its geographic region. China and Russia are among the top 50 countries in the global competitiveness index 4.0.

The BRICS countries possess both similar global competitive advantages, such as market size and innovation capability, and common weaknesses. Health care, personnel skills, institutional development, institutional barriers for entrepreneurship and not enough open markets are areas that require growth and development.

Russia is a source of low-cost production raw materials. In the Russian economy, the extraction of minerals plays a key role in GDP growth [9]. From 2011 to 2018, the share of mineral extraction in Russia’s GDP increased by 21% [10].

China is the most competitive country-manufacturer (out of 40 countries of the world) and ranks number one in the world by the index of industrial competitiveness [11]. China is the largest importer of energy raw materials, and for 10 years, Russia has been increasing the export of mineral resources on this main export direction. In 2018, export turnover with China increased by a peak of 44.0% ($US17,121.90 million) and reached 56,040.50 million USD. Such an increase was due to supplies of crude oil, refined copper and petroleum products.

The development of integration between Russia and India, the world’s third largest economy, is also associated with energy resources supplies.

Raw materials are the main imported product of China from India. In 2017 India’s export to China with share of 5.1% was the second most important destination. Import from China to India with 16% was the main origin [12].

Brazil is the largest economy in South America. In 2017, Brazil ranked 22nd in the world in terms of exports. China is Brazil’s main trade and economic source and destination, with 22% of exports and 19% of imports [13].

South Africa, with its resource capabilities, especially in mining, its developed financial system, No. 19 in the world in 2019, and its significant innovation potential, represents the second economy of the African continent. South Africa has already become an important destination for investment flows from China and India [14].

Thus, the BRICS is the aggregate of the growing bilateral trade and investment integration of participant countries, resulting from the complementary factors of global competitiveness of the economies of Brazil, Russia, India, China and South Africa.

An active collaboration takes place in the agricultural, chemical, energy and mining industries. The success in overcoming the global crisis has given the BRICS countries a weighty foundation for transforming their economic potential into political weight and turning them into a driving force of the world economy to reorganize the global economic structure formed as a result of the Second World War in favor of developing countries with the creation of favorable conditions for achieving the goals of the Global Public Goods (GPG) concept.
From 2000 to 2014, the BRICS Group’s exports grew 7 times, while intra-group exports grew 16 times in absolute value. The dynamics of imports also shows an ascending trend “Tab. II”.

The BRICS Group's Foreign Direct Investment flows, both outward and inward, show an increasing share of global FDI flows. Total investment in the BRICS countries in 2018 reached 261 billion EUR, representing 20% of global investment and 24% of global GDP [16] “Tab. III”.

The increased economic weight of the BRICS resulted in the establishment of a two-element financial architecture of the international association, which consists of the New Development Bank and the Contingent Reserve Pool.

The goal of the New Development Bank is to accumulate resources to realize infrastructure and sustainable development projects in the BRICS countries and other emerging economies [18]. It aims to strengthen integration among the BRICS countries and to reinforce the resource base of multilateral and regional financial institutions in the field of global development in order to support projects adapted to the needs of specific countries in their priority area of development and strategy.

Infrastructure is a major factor in ensuring rapid and inclusive economic growth, guaranteeing a material and social environment for the social functioning of present and future generations.

As of today, the New Development Bank has approved 39 projects, including transport projects, projects in the field of renewable energy, water supply, sustainable infrastructure and urban development. The most active borrowers of the New Development Bank are China, India and South Africa “Tab. IV”.

The emergence of the New Development Bank characterizes the increased role of the BRICS countries in the global economy and, along with the Asian Infrastructure Investment Bank, is seen as a parallel structure to the International Monetary Fund (IMF) and the World Bank [20].

The Agreement on the Establishment of the BRICS Contingent Reserve Pool was signed at the 2014 Summit in the Brazilian city of Fortaleza and was successfully tested in 2018. The pool is needed in the case of a USD liquidity crisis in a BRICS country. If necessary, funds in US dollars from the pool can be provided by the central banks of the participating countries as part of the currency exchange transaction to provide support, with 30% of the required amount issued immediately upon request, and the remaining 70% when providing the program of measures to overcome the crisis [21]. At the same time, the Pool itself is a legislative environment in which the money remains in the foreign currency reserves of the BRICS countries.

The initial amount of the Currency Reserves Pool was 100 billion USD, of which the share of Russia, Brazil and India was 18 billion USD each, of China - 41 billion USD, of South Africa - 5 billion USD each [22], [23].

BRICS members also participate in other international regional associations in their external collaboration. For example, China participates in the East Asia Summit (EAS), India - in the South Asian Association for Regional Cooperation (SAARC), Russia - in the Eurasian Economic Union (EAEU), Brazil - in the Union of South American Nations (UNASUR), South Africa - in the Southern African Development Community (SADC). The Shanghai Cooperation Organization (SCO) and India-Brazil-South Africa (IBSA) are multilateral alliances. The SCO includes three of the five BRICS countries: Russia, China, India, and IBSA is an alliance of India, Brazil and South Africa [24].

Such structure of interstate interoperation forms networks of networks, when members of an association both cooperate and compete with each other within a given economic group and at the same time collaborate with other participants of the economic space beyond its organizational loop. In such integration processes, economic actors are guided only by the potential of mutually beneficial economic partnership and, at
the same time, have to meet the requirements to their level of competitiveness as participants of geo-economic cooperation.

The BRICS GDP is projected to grow by 4.7% between 2018 and 2022, which is almost double the global economic growth rate. The recovery of the world economy after the slow and unstable growth rates of recent years will be ensured in the near future due to the BRICS, which act as a driver of economic global growth.

In 2023-2030, the BRICS countries, as a group, will continue to lead the world in growth in per capita income, despite the projected slowing down of growth of China and India “Tab. V”.

| TABLE V. ISTOREIC AND PROJECTED ANNUAL GROWTH RATE OF GNP PER CAPITA, % |
|-----------------|-----------------|-----------------|-----------------|
| Country group   | 2008-2017       | 2018-2022       | 2023-2030       |
| World           | 1.7             | 2.4             | 2.5             |
| BRICS           | 5.4             | 4.7             | 4.5             |
| USA             | 0.7             | 1.4             | 1.3             |
| Europe          | 0.6             | 1.5             | 1.8             |
| Other Developed Countries | 0.8         | 1.2             | 1.4             |
| Other Emerging Countries | 1.1             | 2.8             | 2.8             |

Data by [25].

The strengthening of priority areas of bilateral economic relations between the BRICS countries, trading and investments, collaboration in economic geo-processes, ensured the establishment of the financial structure of the association, reduction of trade barriers, significant increase in trade turnover and investment flows. In Russia, the outcome of the economic complementarity opportunities was the agreements with China and India on payments under foreign trade agreements in the national currency. The share of the Russian Federation's foreign exchange reserves in RMB-denominated Chinese assets increased from 0,1% to 14,7% in 2018.

The analysis, summarization and structuring processes of the BRICS integration system reveals a synergetic economic effect, characterized by an increase in trade turnover, mutual investment, and an increase in the share of payments in national currencies within the group, also, the growth of the BRICS macroeconomic indicators in the international arena. Institutional development has resulted in the integration of the BRICS into the structure of two elementary financial architecture, which ensures further investment development of important economic factors.

The model of synergetic effect of the BRICS integration is suggested below “Fig. 2”.

The schemes for further integration within the BRICS framework are defined in the sphere of the financial market, its development and integration, further expansion and deepening of foreign trade and investments, increase in the volume of transactions in the national currency, creation of joint assets, primarily in the energy, chemical sectors. Collaboration will expand from bilateral to tripartite and quadruple arrangements. The pool of projects of the New Development Bank will be extended and its capitalization enlarged, and in the future, there will be an opportunity to create the BRICS Currency Bank, as a financial group’s independent from the International Currency Fund structure. Thus, in the international arena, the BRICS will continue to create a financial architecture that is parallel to the World Bank and the International Monetary Fund for the development of the economy 4.0. under the conditions of globalization 2.0.

IV. CONCLUSION

Analysis of the above-mentioned aspects of international integration on the example of the BRICS countries determines that the integration of economic processes within the framework of financial, investment and trade collaboration of countries with fast-growing economies not only allows the effective use of global competitive advantages, stimulating the synergetic effect of regional economic growth with the transformation of the geo-economic structure of the world as a whole, but also transforms the economic influence into a political influence. This makes it possible to reconsider the existing global economic structure in order to adjust it in favor of emerging and developing economies in order to harmonize and balance the conditions for the functioning of economies, as well as to reflect the structure of real distribution of forces in the geo-economic space.
It has been detected that the integration of the complementary economic factors of competitiveness of the BRICS member states has a primary impact on the activation of the synergistic effect of economic growth. Integration transforms the BRICS countries' integration into a significant force influencing global economic processes in the direction of strategic orientation towards the new structure of global polycentric economic governance with reduced influence of the European Union and the United States.

Thus, the proposed hypothesis of the capability of the integration association of international level created from the BRICS member countries to become a driver of balanced and sustainable economic growth and the possibilities of its influence on global economic trends and on the reform of the geo-economic structure is affirmed.

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