

## **GLOBALIZATION AND EMERGING TRENDS IN ECONOMIC ENVIRONMENT: LESSONS FROM THE BRICS NATIONS**

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### **Abstract**

*This paper explores the phenomenon of globalization, its emerging trends in the economic environment and its attendant evolution and development, with particular reference to the BRICS economies. BRICS, an association of leading emerging economies comprising Brazil, Russia, India, China, and South Africa, has been distinguished by its large, fast growing and significant economic influence on regional and global affairs. As at 2014, the five BRICS countries represented approximately 40 % of the world's population with a combined nominal GDP of US\$16.039 trillion and an estimated US\$4 trillion in combined foreign reserves. It was discovered that the BRICS had committed a whopping \$100 billion towards the establishment of a New Development Bank- a global financial institution designated to rival western-dominated IMF and World Bank, and to steady currency markets. This paper, with reference to a study by Goldman Sachs, concludes that given a probable technological "explosion" in China, the continuity of Russia's extraction activities; huge competitiveness in Brazilian agriculture; a relatively advanced manufacturing sector; improved agriculture and huge mining in South Africa; and high internet services and information technology in India, the group's joint GDP will exceed the G7's current GDP by 2035. This tendency will not only lead to a major realignment in global economic forces and competitiveness, but will also lead to an unmatched ascendancy of the BRICS economies over the age old traditional, western-dominated economic thinking.*

*Keywords: Globalization, Emerging Trends, Economic Environment, BRICS Nations, Lessons*

## INTRODUCTION

### Globalization: An Overview

Since the dawn of the New Information Age in the middle of the 20<sup>th</sup> century, technology had begun a process of complete transformation in the world, just as the Industrial Revolution did in the last century. This unprecedented revolution in Information Technology currently being experienced has greatly accentuated the evolution and development of globalization. The term globalization is derived from the word globalize, which refers to the emergence of an international network of social and economic system (<http://www.etymonline.com/index.php?term=globalization>). The entire universe today has been transformed into a global village with no place to hide. It emphasizes the “multiplicity of linkages and interconnectedness” that surpasses the nation-states, which together constitute the modern world system. It sets up a process through which events, decision and activities in one part of the globe can and do have great consequences for individuals and communities in very distant parts of the world. One can therefore start up the day in Singapore, pick up in Ukraine and finish in South Korea; there is a continuous flow of information that can be translated instantly into financial values.

According to Oman (1994: 27) globalization is often “used in at least two different ways with rather different implication in terms of their policy focus. In one sense of globalization is used to mean “multilateralism in which case the global trading system, multilateral trade, liberalization and government policies are the focus”.

Globalization is thus understood to mean a multilateral lowering of policy impediment to the movement of goods and services across national as well as regional boundaries, and this process is what is referred to as “multilateralism”. In another sense, globalization is seen more as a micro economic phenomenon, driven by the strategies and behaviour of corporations; here it is the changing dynamics of global competition and international competitiveness among firms, as well as among countries and regions that are the main focus of policy debate.

### Meanings and Dimensions

Due to the complexity of the concept, research projects, articles, and discussions often remain focused on a single aspect of globalization. Hence, the term globalization has been given so many meanings and interpretations.

Roland Robertson, Professor of Sociology at University of Aberdeen, was the first person to define globalization as “the compress of the world and the intensification of the consciousness of the world as a whole” (Robertson, 1992).

In the words of Albrow and King (1990), globalization is seen as ... all those processes by which the peoples of the world are incorporated into a single world society.

According to Tabb (2009), globalization is a comprehensive term for the emergence of a global society in which economic, political, environmental and cultural events in one part of the world quickly come to have significance for people in other parts of the world. He further maintains that globalization describes the growing economic, political, technological and cultural linkages that connect individuals, communities, businesses and government around the world. This definition sees globalization from beyond the narrow confines of economic events. It also speaks of the interplay of political, environmental and cultural events between one part of the world and another.

Akindede, et al (2002) somewhat share this thoughts when they refer to globalization as “the process of the intensification of economic, political, social and cultural relations across international boundaries. The word intensification in this definition implies that though the phenomenon called globalization has been in existence, it has only intensified recently.

They hold the view that the phenomenon is principally aimed at the transcendental homogenization of political and socio-economic theory across the globe. Their definition also lays credence to that of Oluabunwa (1999), who sees globalization as an evolution which is systematically restructuring interactive phase among nations by breaking down barriers in the areas of culture, commerce, communication and several other fields of endeavours.

Put in simple terms, globalization refers to processes that promote world-wide exchange of national and cultural resources. Advance in transportation and telecommunications, infrastructure, including the rise of the internet, are major factors in globalization, generating further interdependence of economic and cultural activities (Stever, 1992).

Globalization can be located on a continuum with the local, national and regional. At one end of the continuum lie social and economic relations and networks which are organized on a local and/or national basis, at the other end lie social and economic relations and networks which crystallize on the wider scale of regional and global interactions.

Globalization can be taken to refer to those spatial- temporal processes of change which underpin a transformation in the organization of human affairs by linking together and expanding human activity across regions and continents. Without reference to such expansive spatial connections, there can be no clear or coherent formulation of this term..... A satisfactory definition of globalization must capture each of these elements: extensity (stretching), intensity, velocity and impact (Held, et al. 1999).

Swedish journalist Thomas Larsson, in his book *The Race to the Top: The Real Story of Globalization*, states that globalization: is the process of world shrinkage, of distances getting

shorter, things moving closer. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world (Larsson 2001).

It is quite clear from the above that the definitions about globalization are legion and inexhaustible. We therefore give this general definition that globalization means “the growth of economic activity spanning politically defined national and regional boundaries.

## **Globalization and Related Concepts**

### ***Liberalization, Deregulation and Openness***

Globalization or to be more precise, economic globalization, entails all of the above. It conditions and ensures that nation-states embracing globalization liberalize their economic policy regimes, deregulate their economies and open them to the economic forces of the outside world. Akindele, et al (2002) have observed that the implications of liberalization and greater openness is that “both domestic and foreign liberalization imply globalization, since conformity with forces operating in market abroad and the removal of administrative barriers to international movement of goods, service, labour and capital increases interaction among nations”. With the pulling down of their economic fortresses, nation-states within the league of globalization effectively sacrifice to a considerable extent their sovereign economic powers at the altar of benefits accruable from globalization.

### ***Integration***

International integration is proceeding rapidly everywhere as the result of the increased flow of trade, capital, money, direct investment, technology, people, information and ideas across national boundaries. International integration implies the adoption of policies by separate countries as if they were a single political unit. The degree of integration is often tested by seeing whether interest rates or share prices or the prices of goods are the same in different nation markets.

### ***Interdependence***

Another aspect of globalization is the interdependence it underpins. It makes individuals, people as well as the nations-states in a globalize world to be mutually dependent on one another. Thus, what happens to the people of one nation-state economically has a bearing on the people of another nation depending on that nation-state. Thus, interdependence exists when one country by unilateral action can inflict harm on (or provide benefits to) another countries. Competitive protectionism, devaluation, recession or pollution of the air beyond national

boundaries are instances. A case in point was the economic recession that hit Japan in the 1990s, and then spread to other Asian countries who depended on the banks in Japan to raise investment funds to build their economies, and who also relied on Japanese consumers to buy their products. Japanese bank had reduced foreign investment and purchases so that many parasitic Asian nation-states at the time stumbled and crashed.

In turn, this led to many foreign investors to withdraw their investments in utter panic so that these countries became worse off for the Japan's recession. Thus, globalization intricately links one nation-state to another, such that the happening in one has a knock-on effect on another.

## **THE EMERGENCE OF THE BRIC AND LATER BRICS COUNTRIES**

### **The BRIC Countries**

The term BRIC is a grouping acronym that refers to the countries of Brazil, Russia, India and China, which are all deemed to be at a similar stage of newly advanced economic development. It is typically rendered as “the BRICs” or “the BRIC countries” or “the BRIC economies” or alternatively as the “Big Four”. The acronym was coined by then chairman of Goldman Sachs Asset Management, Jim O’ Neil in a 2001 publication paper titled “Building Better Global Economic BRICs’ (Kowitz, 2009). The acronym has come into widespread use as a symbol of the shift in global economic power away from the developed G7 economies towards the developing world. It is estimated that BRIC economies will overtake G7 economies by 2027 (Rana, 2009).

Jim O’Neil told the summit that he was constantly being lobbied about BRIC status by various countries. He said that South Africa, at a population of fewer than 50 million people, was just too small an economy to join the BRIC ranks (Reuters, 2011). However, after the BRIC countries formed a political organization among themselves, they later expanded to include South Africa, becoming the BRICS (<http://www.southafrica.infor/global/brics/brics-080411.htm>).

### **Entry of South Africa to form BRICS**

In 2010, South Africa began efforts to join the BRIC grouping, and the process for its formal admission began as early as August of that year (Graceffo, 2011). South Africa was officially admitted as a BRIC nation on December 24, 2010 after being invited by China and other BRIC countries to join the group (Graceffo, 2011). The group was renamed BRICS- with the “S” in BRICS standing for South Africa to reflect the group’s expanded membership (Blanchard & Zhou, 2011). President Jacob Zuma attended the BRICS summit in Sanya in April 2011 as a full member ([http://news.xinhuanet.com/english2010/China/2010-12/24/c\\_13662138.htm](http://news.xinhuanet.com/english2010/China/2010-12/24/c_13662138.htm)). South

Africa stands at a unique position to influence African economic growth and investment. According to Jim O'Neil of Goldman Sachs who originally coined the term, Africa's combined current gross domestic product is reasonably similar to that of Brazil and Russia, and slightly above that of India (O'Neil, 2010). South Africa is a "gateway" to southern Africa and Africa in general as the most developed African country. China is South Africa's largest trading partner, and India want to increase commercial ties to Africa. South Africa is also Africa's largest economy, but as number 31 in global GDP economies it is far behind its new partners (<http://www.foreignpolicyjournal.com/2011/01/21/bric-becomes-brics-changes-on-the-geopolitical-chessboard/21>).

Jim O'Neil expressed surprise when South Africa joined BRIC since South Africa's economy is a quarter of the size of Russia (the least economically powerful BRIC nation). He believed that the potential was there but did not anticipate inclusion of the South Africa at this stage. Martyn Davies, a South African emerging markets expert, argued that the decision to invite South Africa made little sense but was politically astute given China's attempts to establish a foothold in Africa. Further, South Africa's inclusion in BRICS may translate to greater South Africa support for China in global for a (<http://www.globalpost.com/dispatch/southafrica/110107/south-africa-be-bric>).

BRICS as it stands to be now is the title of an association of leading emerging economies, arising out of the inclusion of South Africa into the BRIC group in 2010. As of 2012, the group's five members are Brazil, Russia, India, China and South Africa (<http://www.southafrica.info/global/brics-brics-080411.htm>), With the possible exception of Russia, (<http://www.un.int/russia/new/mainRoot/docs/off-news/130109/newen2.htm>), the BRICS members are all developing or newly industrialized countries, but they are distinguished by their large, fast-growing economies and significant influence on regional and global affairs; all five are G20 members. Since 2010, the BRICS nations have met annually at formal summits. Russia currently holds the chair of the BRICS group, and will host the group's seventh summit in July 2015.

As of 2014, the five BRICS countries represent almost 3 billion people or approximately 40% of the world's population. The five nations have a combined nominal GDP of US\$16.039 trillion equivalent to approximately 20% of the gross world product, and an estimated US\$4 trillion in combined foreign reserves (<http://www.csmonitor.com/World/Global-Issues/2011/10818/Amid-BRICS-rise-and-Arab-Spring-a-new-global-order-forms>).

## **Brief History about the BRICS**

In demographic terms, BRICS holds the world's two most populated countries and another three with considerable populations. China alone holds a fifth of the world's population, and is closely followed by India (17.5%) and, by a large gap Brazil (2.9%), Russia (2.2%) and South Africa (about 0.8%).

Despite their large territories – Russia's 17 million Km<sup>2</sup>, China's 9.3 million Km<sup>2</sup>, Brazil's 8.5 million Km<sup>2</sup>, India's 3.2 million and South Africa's 1.2 million Km<sup>2</sup> –the BRICS differ from levels of industrialization and impact on the global economy. It is important to point out these differences as definition as a bloc might lead to wrongful assumptions about the five countries' individual current and future roles in the global economy

### ***China***

China is the most continuous civilization in history - not strictly in terms of political linearity by rather in terms of cultural continuity. The country has a tragic contemporary history, marked by economic decadence, political instability, military humiliation and social regression caused by a deep degradation of the social fabric after Mao Zedong's economic follies created a human hecatomb and a demographic "gap" of tens of millions of people.

### ***India***

India is the world's second oldest "continuous" civilization- the inverted commas are to highlighted the country's cultural and ethic diversity. India has no cultural unity as such, and its political history only seems to make sense when we look at it as a temporary "unit" created by foreign invasions, specifically by the Mughal Empire, followed by the domination of an English trading company which was then converted into British supremacy over several peoples who were very different to each other. Modern India is an invention of the British Empire.

### ***Russia***

Russia is also ancient, with cultural traditions that have made it into a cultural unit since the middle Ages, when barbarian migrations led to the creation of a proto-homogeneous slavic proto-nation. This took place when Peter the Great subjugated feudal authority and consolidated his power over an undefined territory, drawn together under an incipient state based on imperial absolutism.

This State expended between the 18<sup>th</sup> and the 20<sup>th</sup> centuries, when it reached the highlight of its territorial size and power under the rule of the Soviet Czars. The Soviet Empire was a paradox in Russia's trajectory. Despite achieving the national security it had always

aspired to, it also created an irrational economic system that ended up causing the states structural crisis and thunderous downfall.

### ***Brazil***

Brazil is a typical colonial creation with the slow implementation of a successful economy contracting with a more precocious state building. Brazil's unified state came before the consolidation of an integrated economy. The State was the inducer of an industrial economy, which is quite modern compared with other peripheral countries. Brazil is happy with its geographical division and regional relations. This context of regional peace-at least since the end of the Paraguayan War (1865-1870)- and of a lack of real external threats are defining factors behind Brazil's geopolitical singularity and should be considered as a positive assets for regional and international inclusion.

### ***South Africa***

The Union of South Africa that followed the Boer War (1899-1902) operated under a policy of apartheid-the separate development of the races. The 1990's brought an end to apartheid politically and ushered in black majority rule. Southern Africa as a whole is a very different place than it was two decades ago. Old single-party dictatorships and white minority government have given way to nascent democratic governments with varying degrees of success and maturity. On 10 May 1994, Nelson Mandela took office as the first president of the 'new' South Africa'. His inauguration marked the end of a long struggle to achieve a non-racial political regime and the beginning of an equally difficult and protracted process of states and nation building that is intended to lead eventually to the realization of a stable democracy.

South Africa is the most developed country in Southern Africa, and the regional leadership economically and politically. But South Africa (and every other country in the region) has its own problems. The political transition from a race-based polity to one based on majority rule is almost complete, yet subject to tensions. Changes have occurred with relatively little violence. Aside from the former Soviet-bloc countries; no nation has experienced greater change than South Africa over the past decade. The non-racial democracy is still in its infancy and still requires nurture and development.



Table 1: Economic Data of BRICS countries' Economies

Country	Population	GDP (PPP) (in billion)	GDP (nominal) (in billion)	HFCE (2009) (in billion)	Government Spending (in billion)	Exports (in billion)	Imports (in billion)	GDP per capita (PPP)	Literacy rate	Life expectancy (years, avg.)	HDI
BRAZIL	201046886	\$3072.0	\$2,244.8	\$1,266.3	\$846.6	\$256.0	\$238.8	\$15,280	93.5%	76.2	.744 (high)
RUSSIA	143678000	\$3558.0	\$2,057.0	\$671.6	\$414.0	\$542.5	\$358.1	\$24,764	99.6%	70.5	.778 (high)
INDIA	1210193422	\$7277.3	\$2,047.0	\$737.9	\$281.0	\$309.1	\$500.3	\$6,013	74.04% (2011)	65	.586 (medium)
CHINA	1354040000	\$17632.0	\$10355.0	\$1,835.3	\$2,031.0	\$2,021.0	\$1,780.0	\$13,021	95.1%	76	.719 (high)
SOUTH AFRICA	51770560	\$683.0	\$341.28	\$173.8	\$95.27	\$101.2	\$106.8	\$13,192	93%	61	.658 (medium)

**Source:** International Monetary Fund (2014)

(<http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weorept.aspx?pr.x=69&pr.y=17&sy=2014&ey=2014&scsm=1&sort=country&ds=.&br=1&c=223%2c924%2c922%2c199%2c534%&s=ngdpdp%2cpcpppc&grp=0&a=>)

## Developments

The BRICS forum, an independent international organization encouraging commercial, political, and cultural cooperation between the BRICS nation, was formed in 2011 (<http://www.bricsforum.org>). In June 2012, the BRICS nations pledged \$75 billion to boost the lending power of the International Monetary Fund (IMF). However, this loan was conditional on IMF voting reforms (Reuters 2012). In late March 2013, during the fifth BRICS summit in Durban, South Africa, the member countries agreed to create a global financial institution which they intended to rival the western-dominated IMF and World Bank (The Guardian, 2013). After the summit, the BRICS stated that they planned to finalise the arrangements for this New Development Bank by 2014 (Reuters, 2013). However, disputes related to burden sharing and locations have slowed down the agreements.

At the BRICS leaders meeting in St. Petersburg in September 2013, China committed \$41 billion towards the pool; Brazil, India, and Russia \$18 billion each; and South Africa \$5 billion. China, holder of the world's largest foreign exchange reserves and who is to contribute the bulk of the currency pool, wants a greater managing role, said one BRICS official. China also wants to be the location of the reserve. "Brazil and India want the initial capital to be shared equally. We know that China wants more," said a Brazilian official. "However, we are still negotiating, there are no tensions arising yet." (<http://in.reuters.com/article/2013/10/11/g20-brics->

fund-idINL6NO113N720131011). On 11<sup>th</sup> October 2013, Russia's Finance Minister Anton Siluanov said that a decision on creating a \$100 billion designated to steady currency markets would be taken in early 2014. The Brazilian Finance Minister, Guido Mantega stated that the fund would be created by March 2014(<http://in.reuters.com/article/2013/10/10/us-brazil-economy-mantega-idINBRE999WR20131010>). However, by April 2014, the reserve pool and development bank had yet to be set up, and the date was rescheduled to 2015(<http://rbth.com/business/2014/04>). One driver for the BRICS development bank is that the existing institutions primarily benefit extra-BRICS corporations, and the political significance is notable because it allows BRICS member states "to promote their interest abroad... and can highlight the strengthening positions of countries whose opinion is frequently ignored by their develop American and European colleagues."

In March 2014, at a meeting on the margins of the Nuclear Security Summit in The Hague, the BRICS Foreign Ministers issued a communiqué that "noted with concern, the recent media statement on the forth coming G20 Summit to be held in Brisbane in November 2014. The custodianship belongs to all Member States and no one member can unilaterally its nature and character." In light of the tensions surrounding the 2014 Crimean crisis, the Ministers remarked that "The escalation of hostile language, sanctions and counter-sanctions, and force does not contribute to a sustainable and peaceful solution, according to international law, including the principles and purposes of the United Nations Charter (<http://www.dfa.gov.za/docs/2014/brics0324.html>)" This was in response to the statement of Australian Foreign Minister Julie Bishop, who had said earlier that Putin might be barred from attending the G20 Summit in Brisbane (<http://alethonews.wordpress.com/2014/03/24/brics-at-hague-slam-attempts-to-isolate-putin/>).

In July 2014, the Governor of the Russian Central Bank, Elvira Nabiullina, claimed that the "BRICS partners the establishment of a system of multilateral swaps that will allow to transfer resources to one or another country, if needed" in an article which concluded that "If the current trend continues, soon the dollar will be abandoned by most of the significant global economies and it will be kicked out of the global trade finance(<http://voicefrussia.com/2014.07.03/BRICS-is-morphing-into-an-anti-dollar-alliance-6229/>)"

Over the weekend of 13 July 2014 when the final game of the World Cup was held, and in advance of the BRICS Fortaleza summit, Putin met his homologue Dilma Rouseff to discuss the BRICS development bank, and sign some other bilateral accords on air defense, gas and education. Rouseff said that the BRICS countries "are among the largest in the world and cannot content themselves in the middle of the 21<sup>st</sup> century with any kind of dependency(<http://news.yahoo.com/brazil-russia-discuss-creation-brics-bank-182127176.html>)"

The Fortaleza summit was followed by a BRICS meeting with the UNASUR presidents in Brasilia, where the development bank and the monetary fund were introduced (<http://news.yahoo.com/brics-launch-bank-tighten-latin-america-ties-034909760.html>).

The development bank will have capital of US\$50 billion with each country contributing US\$10 billion, while the monetary fund will have US\$100 billion at its disposal (<http://news.yahoo.com/brics-launch-bank-tighten-latin-america-ties-034909760.html>). On 15 July, the first day of the BRICS 6<sup>th</sup> summit in Fortaleza, Brazil, the group of emerging economies signed the long-anticipated document to create the US\$100 billion BRICS Development Bank and a reserve currency pool worth over another US\$100 billion. Documents on cooperation between BRICS export credit agencies and an agreement of cooperation on innovation were also inked (<http://rt.com/business/173008-brics-bank-currency-pool>).

At the end of October 2014, Brazil trimmed down its US government holdings to US\$261.7 billion; India, US\$77.5 trillion; South Africa, US\$10.3 billion (<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-cuts-exposure-to-us-government-securities-at-77-5-billion-in-october/articleshow/45592315.cms>).

## **PROBLEMS AND CHALLENGES AMONG MEMBER COUNTRIES**

The BRICS itinerary over the past two centuries has been uneven and at times divergent. Reciprocal relations over the last half-century have been marginal, with the possible exception of the former Soviet Union (USSR) and China during the early implementation of socialism in the latter. These countries have been facing so many economic problems and challenges. They are highlighted as they affected member nations thus:

### **China**

China is the only emerging nation among all the BRICS that seems destined to convert itself into dominant economy, as well as a technological and military power. However, the country is still very far from offering it citizens-many of whom are still subjects of an authoritarian regime-the level of individual well-being enjoyed by populations in advanced capitalist countries. China has seen a combination of political authoritarianism and firm guidance towards a market economy.

Though they are said to be unique in world's history in terms of its sustained growth, with structural transformations that have an enormous social impact, China was an economic disaster. This is not only due to decadence during the Civil War and the Japanese invasion, but also due to the plans of the Maoist Era (the Great Leap Forward and Cultural Revolution). Suffice to say that in gross terms, between the end of the 18<sup>th</sup> century and the 1960's, china's

GDP fell from nearly one third of the world's GDP to less than 5%, and only managed to recover in the 2000's (Almeida, 2009).

### **India**

India, for its part, is apt to master, with competence, the electronic services it had already offers with expertise. It will, however, have to absorb into the market economy hundreds of millions of rural workers stagnating in an ancestral economy. The country, meanwhile, had to lift itself from a Mesozoic state of planned economy and overzealous protectionism, although it faced some delays and changes in this effort. This country has for decades been facing cultural disunity.

### **Russia**

Regarding Russia, in addition to its reduction after the collapse of the USSR, statistics from the Soviet Era are not reliable enough to establish the development of its performance in the 20th century, when the country underwent huge material and human disaster. The Central Intelligence Agency (CIA) always overestimated the industrial power and technological capacity of this enormous Potemkin village, which lived an institutionalized lie over seven decades.

In addition, Russia has lost territories with important natural and human resources and therefore does not seem close to recovering the political and strategic relevance enjoyed during the height of its geopolitical expansion at the end of 1970s. Despite owning a formidable nuclear arsenal and the capacity for some military projection, the country is in no condition to challenge the two global economic giants of the mid-21<sup>st</sup> century. Russia's resources are finite and its demography is declining, albeit having a high quality human force (Almeida, 2009).

### **Brazil**

Brazil's central problem was to break with self-feeding inflation and the pernicious effect of exchange rate pressures. This process was conducted in full, despite the financial turbulence that threatened an adjustment between the second half of the 1990s and the beginning of the 2000s. Brazil has almost a generation ahead of it to benefit from a demographic bonus, namely the best possible relationship between the economically active and dependent strata of people. This opportunity will probably be missed, largely because of the low levels of technical qualification and education among the population, which will reduce productivity gains (Almeida, 2009)

## South Africa

According to official estimate, a quarter of the population is unemployed, (<http://www.bloomberg.com/app/news?pid=206011168sid=a0B7bcZRfu>), however unofficial estimates put the real unemployment rate as high as 40% (<http://www.econmicnist.com/news/leaders/215648-south-africa-sliding-downhill-while-much-rest-continent-claw-its-way-up>). A quarter of South Africans live on less than US\$1.25 a day ([http://hdr.undp.org/en/media/HDI-2008\\_EN\\_Tables.pdf](http://hdr.undp.org/en/media/HDI-2008_EN_Tables.pdf)).

The unemployment rate is very high at over 25%, opportunities and basic services (<http://www.webcitation.org/65xyiNJTS>).

The high levels of unemployment and inequality are considered by the government and most South Africans to be the most salient economic problems facing the country (<http://www.scribd.com/frede/lj/492716155-OEDC-SA-Report>). These issues, and others linked to them as crime, have in turn hurt investment and growth, consequently having a negative feedback effect on unemployment. Crime is considered a major or very severe constraint on investment by 30% of enterprises in South Africa, putting crime among the four most frequently mentioned constraints (Stone, 2006).

South Africa, unlike other emerging markets, has struggled through the late 2000s recession, and the recovery has been largely led by private and public consumption growth, while export volumes and private investment have yet to fully recover (<http://www.inf.org/external/pubs/ft/sccr/2011/cr/1258.pdf>).

## CRITICISMS OVER THE GROUP

A strong criticism is that the BRICS projections are based on the assumptions that resources are limitless and endlessly available when needed. In reality, many important resources currently necessary to sustain economic growth, such as oil, natural gas, coal, other fossil fuels, and uranium might soon experience a peak in production before enough renewable energy can be developed and commercialized, which might result in slower economic growth than anticipated, thus throwing off the projections and their dates.

The economic emergence of the BRICS will have unpredictable consequences for the global environment. Indeed, proponents of a set carrying capacity for the earth may argue that, given current technology; there is finite limit to how the BRICS can develop before exceeding the ability of the global economy to supply (Sapavadia, 2010).

Academics and experts have suggested that China is in a league of its own when compared to the other BRICS countries (<http://www.indianexpress.com/news/brics-and-gz/477573/0>). As David Roth Kopf wrote in *Foreign Policy*, “without China, the BRICS are just

the BRIS, a bland, soft cheese that is primarily known for the whine (sic) that goes with it. China is the muscle of the group and the Chinese know it. They have effective veto power over any BRICS initiatives because without them, who cares really? They are the one with the big reserves. They are the biggest potential market. They are the U.S partner in the G2 (imagine the coverage a G2 meeting gets vs. a G8 meeting) and the E2 (no climate deal without them) and so on (<http://rothkopf.foreignpolicy.com/posts/2009/06/15/the-brics-and-what-the-brics-would-be-without-China>). Deutsche Bank research said in a report that “economically, financially and politically, China overshadows and will continue to overshadow the other BRICS”.

### **STRENGTHS AND PROSPECTS OF THE BRICS**

And where are the BRICS heading over the coming decades? Certainly not the same destination, even though their trajectories have a common thread of growing and unavoidable adherence to the global economy. According to a study by Goldman Sachs, this groups joint GDP will exceed the G7's current GDP by 2035, and China's will exceed everyone, individually, by 2040. The factors behind this performance are very diverse, a probable technological “explosion” in China; the continuity of Russia's extraction activities; and huge competitiveness in Brazilian agriculture; a relatively advanced manufacturing sector, improved agriculture and huge mining in South Africa, and Indian internet services and information technology - the latter of which is already taking place. Although the Brics' joint atomic mass might overtake G7, in per capita terms their well-being and productivity indicators will remain below the developed countries.

Goldman Sachs argues that the economic potential of Brazil, Russia, India and China is such that they could become among the four most dominant economies by the year 2050. The thesis was proposed by Jim O'Neill, global economist at Goldman Sachs ([http://us.ft.com/ftgateway/superpage.ft?news\\_id=ft0110620061008293578](http://us.ft.com/ftgateway/superpage.ft?news_id=ft0110620061008293578)). These countries encompass over 25% of the world's land coverage and 40% of the world's population and hold a combine GDP (PPP) of 16.039 trillion dollars. On almost every scale, they would be the largest entity on the global stage. These four countries are among the biggest and fastest growing emerging markets (Incal 2011).

The BRIC thesis recognizes that Brazil, Russia, India and China ([http://papers.ssrn.com/50113/papers.cfm?abstract\\_id=916768](http://papers.ssrn.com/50113/papers.cfm?abstract_id=916768)) have changed their political system to embrace global capitalism. Goldman Sachs predicts that China and India, respectively, will become the dominant global suppliers of manufactured goods and services, while Brazil and Russia will become similarly dominant as suppliers of raw materials. The

Goldman Sachs global economics team released a follow-up report to its initial BRIC nations, the number of people with an annual income over a threshold of \$3,000, will double in number within three years and reach 800 million people within a decade. This predicts a massive rise in the size of the middle class in these nations. In 2025, it is calculated that the number of people in BRIC nations earning over \$15,000 may reach over 200 million. This indicates that a huge pick up in demand will not be restricted to basic goods but impact higher-priced goods as well. According to the report, first China and then a decade later India will begin to dominate the world-economy.

The report also emphasizes the enormous populations that exist within the BRIC nations which makes it relatively easy for their aggregate wealth to eclipse the G6, while per-capita income levels remain far below the norm of today's industrialized countries. This phenomenon, too, will affect world markets as multinational corporations will attempt to take advantage of the enormous potential markets in the BRICS by producing, for example, far cheaper automobiles and other manufactured goods affordable to the consumers within the BRICS in lieu of the luxury models that currently bring the most income to automobile manufactures. India and China have already started making their presence felt in the service and manufacturing sector respectively in the global arena.

Goldman Sachs in his second follow-up report compiled by lead authors Tushar Poddar and Eva Yi gives insight into "India Rising Growth Potential". It reveals updated projection figures attributed to the rising growth trends in India over the last four years. Goldman Sachs asserts that 'India's influence on the world economy will be bigger and quicker than implied in our previously published BRICS research". They noted significant areas of research and development, and expansion that are happening in the country, which will lead to the prosperity of the growing middle-class ([http://www.usindiafriendship.net/viewpoints/indias\\_Rising\\_Growth\\_potential.pdf](http://www.usindiafriendship.net/viewpoints/indias_Rising_Growth_potential.pdf)).

India has 10 of the 30 fastest-growing urban areas in the world and, based on current trends, we estimate a massive 700 million people will move to cities by 2050. This will have significant implications for demand for urban infrastructure, real estate and services.

In the revised 2007 figures, based on increased and sustaining growth, more inflows into foreign direct investment, Goldman Sachs predicts that "from 2007 to 2020, India's GDP per capita in US\$ terms will surpass the United States (in US\$) by 2043.

According to a 2010 report from Goldman Sachs, China might surpass the US in equity market capitalization terms by 2030 and become the single largest equity market in the world ([http://wwwdasinvestment.com/fileadmin/Images/pictures/0809\\_GlobalEconPaper\\_No\\_204\\_Fina.pdf](http://wwwdasinvestment.com/fileadmin/Images/pictures/0809_GlobalEconPaper_No_204_Fina.pdf)). By 2020, America GDP might be only slightly larger than China's GDP. Together, the

four BRICs may account for 41% of the world's market capitalization by 2030, he said (<http://blogs.ft.com/beyond-brics/2010/09/08/goldman-onwards-and-upwards/>).

In late 2010, China surpassed Japan's GDP for the first time, with China's GDP standing at \$5.88 trillion compared to Japan's \$5.47 trillion. China thus becomes the world's second-largest economy after the United States (<http://rss&emc=rss>).

Based on a Forbes report released in March 2011, the BRIC countries numbered 301 billionaires among their combined populations, exceeding the number of billionaires in Europe, which stood at 300 in 2011 (<http://www.ft.com/cms/s/0/bc9b6d80-4a8d-11e0-82ab-00144feab49a.html?Ftcamp=rss#axzzlGCKIXd3V>).

According to the National Institute of economic and Social research (NIESR) based on International Monetary Fund figures, in 2012 Brazil has become the sixth-biggest economy in the world by overtaking UK with \$2.52 trillion and \$2.48 trillion, respectively. In 2010, the Brazilian economy was worth \$2.09 trillion and UK with \$2.25 trillion. Significant increase is caused by Brazilian economic boom on high food and oil prices (<http://bbc.co.uk/news/business-17272716>).

## CONCLUSION

Irrespective of all that have been said or written either "for" or "against" globalization, it is said to be an agent of change and transformation. Globalization has set a positive pace for the world today and its inhabitants. Globalization is pervasive, cutting across borders in all human endeavours and has raised hope even to the people at the grassroots. In essence, globalization is 'creating' and is 'destroying', but it is said to have created more than it has destroyed.

The justification for the BRICS acronym, according to its original proponent, is the extent to which these economies have an impact on the global economy, as well their capacity to shape the future of other developing nations. Barring Brazil, with very modest growth rate of the last years, the four other BRICS have been gaining weight and importance globally and within sectors.

In theory, in a few years the BRICS will represent of fifty of the global economy and in two decades will overtake the G7.

In fact, given their demographic importance and the growing disseminations of technology and direct investment, we could say that developing countries' share in global goods and services exports and GDP will certainly rise above current levels. This is an elementary conclusion that adds nothing to the other aspects- especially institutional and political- that interact with the structural forces that shape the global system.



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