

# Good essay on the brics nations

[Business](#), [Marketing](#)



## **BRICS NATIONS**

In 2001, the BRIC acronym floated for the first time referring to the loose grouping of the countries Brazil, Russia, India and China. Goldman Sach coined the idea in his paper in relation to the economic modelling exercise to forecast the trends in the global economy for the upcoming half-century.

According to Sach (2001), the BRIC was to play a significant role in the global economy in the coming years. He forecasted the evolving dynamics of the global economy over the upcoming half-century in another paper he wrote in 2003. Sach predicted in his paper that over the next five decades, the BRIC nations would become a major force in the global economy. Over the last few decades, these large economies as well as of South Africa have attained an important position in the global economy as the capital receivers, potential markets of consumers, and most importantly, the producers of goods/services. BRICS economies (including South Africa) are the fast growing nations that have played a critical role in the speedy process of recovery in the global economy (Lo & Hiscock, n. d.).

Currently, around 40 percent of the global population comprises that of these five countries; moreover, it encompasses for approximately 25 percent of the total global GDP in terms of PPP. BRICS owns vast natural resources due to its huge share of land in the world. China is ranked as the third-largest country in the globe due to its huge land size of about 9.6 million sq. km. Russia has 20 percent of the total oil and gas reserves of the world while China possesses 12 percent of the global mineral resources. Brazil is the fifth-largest country in the globe and covers 47 percent of South America. It is also rich in natural resources including, coffee, soybeans, iron ore, sugar

cane, and crude oil (Lund-Thomsen & Wad, 2014).

China's Economy: Reforms initiated in 1979 that led to the gradual transition of the economy from a centrally-planned to market-based economy. With time, slow introduction of the market forces has been made so that the consumers, businesses, as well as the government may adapt with the change. The household incomes have risen leading to increased demand of consumers for goods/services that have resulted in an expansion of retail sales. Government allowed trade in 1990 which led to a dramatic increase in the foreign direct investment. China has liberalized its trade as well as the financial services sector since entering into the World Trade Organization. The basis of its economic growth has been on the increase in capital and labor fuel production which is not sustainable. There is not much investment in research and development, but it holds a substantial comparative advantage in low technology goods. With its transition to markets economy, the quality of life has risen in China. Due to its low wage costs and highly skilled workforce, China is considered to be the global workshop for manufacturing. During 1978 and 2009, the Chinese economy has grown at an average of 9.9 percent.

Indian Economy: During 1960s and 1970s, India had an inward-looking trade and investment policy including tight controls over trade. Liberalization strategy began in 1980 where the tariffs and trade controls were relaxed leading to a reduction in the costs of import inputs that further reduced the costs of the consumer goods. Further, the price control were lifted, and licensing requirements were relaxed from the industrial goods resulting in real growth in GDP, exports, productivity, as well as consumer spending and

fiscal deficit. India focused on expansion of its information technology industry as well as the industrial sector and education so that productivity can be encouraged along with foreign direct investment. Currently, India has a rising manufacturing base and is a strong service provider. The economy is driven more by the domestic demand and has witnessed a faster economic recovery from the 2008 financial recession. India seconds China in the highest rates of saving and investment; these savings have helped in the reduction of net exports to GDP of the country and led to high growth based on investment from the domestic savings.

**Brazilian Economy:** it is the 7th largest economy in the world based on nominal GDP and is characterized by an inward-oriented economy and moderately-free market. It is the fastest growing economy with a 5 percent annual GDP growth rate. In 2009, the World Economic Forum declared Brazil the top country in upward evolution where it closed the competitiveness gap with India and China. Since 1990s, important initiatives have been taken for fiscal sustainability as well as to liberalize the economy. This has led to the provision of a better environment for the developments in the private sector. Brazil is a domestic demand-driven economy and is considered to be an inherent strength of the BRICS emanates. It has a great potential to establish its middle class. According to Forbes 2012, Brazil ranks 5th on having the largest number of billionaires in the world and is a member of diverse economic organizations like WTO, G20, G8+5, Unasol and the Cairns Group. Brazil has diverse industries, and its economic stability has risen due to the heavy investment by the domestic as well as international businesses into the new equipment and technology. Further, the country has significant

sources of industrial raw materials as well as large deposits of nickel, tin, chromate, iron, copper, lead, zinc, gold and manganese reserves.

**Russian Economy:** Russia is a mixed economy where some of the strategic areas are still owned by the state. The market reforms in 1990s privatized most of the agriculture and industry of the country except the sectors related to energy and defense. It has abundant natural resources like oil, natural gas, and metals that make up its most of exports. The oil and gas sector accounted for 16% of GDP in 2012 and over 70% of total exports. By PPP, Russian economy is the sixth largest in the world. The real disposable income has risen by 160 percent between 2000 and 2012 with a rapid growth in the standards of living.

**South African Economy:** After Nigeria, the economy of South Africa is the largest in Africa with a GDP in terms of purchasing power parity of 24 percent and according to World Bank, it is ranked as an upper-middle income economy. Though, a quarter of the economy is unemployed, and a quarter live below US \$1. 25 per day. But, it has a comparative advantage in the production of mining, manufacturing and agriculture sector. It shifted from primary and secondary economy to the tertiary sector driven economy that accounts for almost 65 percent of the GDP. South Africa is a highly diversified economy where key sector include: mining, agriculture, fisheries, vehicle manufacturing, transportation, tourism, telecommunication, clothing and textiles, real estate, retail, energy, and wholesale trade. Unlike other emerging markets, South African has struggled to recover from the recession greatly, and it has been due to the growth in the private and public consumption that recovery has been made possible. Under the current policy

environment, the potential growth is estimated to be around 3.5 percent. It generates more than 45 percent of the electricity of Africa, and its power supplier provides 4th cheapest electricity in the globe. Further, it is also the largest producer of platinum and chromium in the world while holding largest reserves for vanadium, manganese, and alumino-silicates. Over the past decade, the investment ratio has increased due to government and public corporations' investment in the infrastructure,

## **Rising Importance of BRICS in the Globe**

Over the last two decades, BRICS countries have achieved significant recognition in the global political environment as well as the global economic environment. All the member nations have witnessed significant positive changes where specifically their economic size has increased manifold in nominal terms (US dollars): Brazil over four times, India almost five times, China more than fourteen times, and South Africa by more than three times (Gammeltoft, 2008). All the members of BRICS have variety of economic history and successful strategies that have played significant role in stimulating the growth in their respective economies. All the countries have opened up their economies to varying extents for foreign trade and investment. Despite the differences in their economic histories, all these five countries have witnessed high rates of growth and with their available resources, there seems to be high potential for growth of these economies. In 1990, the share of BRICS in world GDP was only 10% while in 2010, it rose to more than 25%; this means that during a period of two decades, the GDP share of the BRICS nations expanded by 150% (Table 1). Moreover, their share in the global trade rose from 3.6% to more than 15%. In this regard,

China has been the major contributor whose share increased from below 2% to above 9%. The share of Brazil rose from 1. 8% to 1. 2%; India's share rose from 0. 5% to 1. 8%; Russia's share rose from 1. 5% to 2. 3%. But the share of South Africa did not change during this time period as there is consistency. In all the member countries, the prospects of economic growth have been boosted in particularly by trade; evidence suggests that the tool for promoting growth of the economies and facilitation of development in the BRICS countries has been trade liberalization (Table 2). The table clearly indicates that the BRICS countries have experienced a rise in GDP and forex reserves; their share in the world trade has increased and the whole group has benefitted from the trade openness (Jadhav, 2012).

The most significant change in the BRICS countries since the 1990s has been the coupling of the growth-oriented strategies with the economic activities that has put the countries on high growth trajectories. This means that the favorable conditions and development of infrastructure has made the country more attractive destination for the FDI (foreign direct investment) (Table 3). According to the data, the inflows of FDI in these countries have increased by around 11% rate of compound annual growth per annum over the last decade where it was \$81 billion in 2000 and reached to \$221 billion in 2010. The outflows have also a similar trend as the FDI outflows have risen at a CAGR of 35% from the BRICS countries. This shows that not only these countries are attractive destinations for the FDI, but they also have been playing a critical role in meeting the demands of capital around the globe by making foreign investments elsewhere.

Considering the rising importance of the BRICS countries, the trend in growth

of the labor force is also very critical. According to the International Labor Organization, the data collected in 2012 states that more than two-fifths of the world's population is constituted of the BRICS and what is more important is that it has an even higher percentage share in the labor force that is economically active (Gammeltoft, 2008). Amongst the members, China has the highest share for both population and the economically active labor. India falls second on population but its economically active percentage is lower than that of Brazil and Russia.

## **Organizations in BRICS**

There is a great world of opportunities for the companies today. The only challenge is to access those opportunities. The most significant role has been played by the advancements in technology that has made it possible for the companies to expand globally in international markets. Sam Palmisano, the CEO of IBM, said, “ To be truly global today, a company has to do more than set up sales offices or research facilities in multiple markets, or send its people on international assignments. You have to engage at the level of culture, as well as process” (Popescu, 2013). In general, the BRICS countries have number of initiatives to increase their competitiveness in the globe, and to make sure that not only the movement of people increases but also there is ease in doing business. In India, the business initiatives include: no added transaction costs; providing market-driven knowledge partners to overseas investors so that they can benefit from the local opportunities; catalyzing sustainable partnerships between local Indian and overseas Indian businesses; and to enable value addition to the investible knowledge, skills and expertise of the overseas Indians (Sachs, 2001).



In Brazil, the business culture is open and friendly; the key is building relationships and so, lively and heated conversations are a normal form of expression. The companies remain hierarchical and government set work policies are strictly followed like the timings from 9: 00 am to 6: 00 pm (Tu, Lin & Chang, 2011). Moreover, an hour-long break is mandatory for lunch and overtime pay is necessary. During the lunch break, the employees must leave the secured work areas as it is a necessity to cooperate with the strict labor laws in the country. Organizations require providing transportation and meal vouchers to the employees. Due to high globalization, universal standards need to be implemented.

Russia has transformed from a globally isolated, and centrally planned economy to a globally integrated, and market-based economy. Business leaders are accepting responsibility and making their own decisions but still being too independent is a negative; the businesses must place the community over their individual businesses. The staff involvement is minimal in Russian businesses and the organizations are largely hierarchical. Space refers to power and authority; status is also very important. In Russian businesses, formal paper trails and documentations are important. Along with other formal settings, dressing up is also critical as first impressions and images are significant (Lo & Hiscock, n. d.). And the work environment is cheerful with personal artifacts and decorative touches by the employees to consider it their second home.

In India, it is important to build relations, through loyalty, conversation and hospitality. Creativity and material success is given high value; the organizations are driven more by the people as compared to processes. The

organizations are managed from top to bottom and the culture is more flexible in management. Offices are becoming more flat and the organizations are evolving towards a more open environment where the panel based system is in place (Tu, Lin & Chang, 2011).

China is a collectivist culture where group or larger community is more important than the individual. The work environment is similar to the extended family where the boss is the patriarch of the company. Making relations and asking personal details to get to know each other is normal at all levels in organizations; relationships are built for life. The work environment is planned and revolves around hierarchy; only executives get to have private offices while the rest follows the American-style panel system (Popescu, 2013). The office environment may be open but the government continues to tightly censor the information that is disclosed to the public.

South Africa is one of the most diverse and promising emerging markets globally. The fiscal framework encourages domestic growth and competitiveness while raising the levels of employment. Taxes have been reduced and the fiscal deficit is under control. The general legal practices are in line with the international norms and human rights are given great significance. The trade and industry is governed by a free enterprise economy (Lo & Hiscock, n. d.). The country has world-class infrastructure with modern transport network and sophisticated telecommunication facilities. Due to its economic alliance, the country has special relationships with the European Union, and the Southern African Development Community.

Altogether, for the BRICS countries, some of the main factors that are important for success of organization include: usage of technology, cultural realities, increased mobility, cost-value relationships and most importantly, high diversity at the workplace. These markets have sprung up due to globalization. The business culture of South Africa is different from the other four members. In the BRIC countries, the communication is more indirect and the organizations have a hierarchical structure (Budd, 2012). An inclusive and diverse culture needs to be developed in the countries as they need to manage a highly diverse workforce from all around the globe.

## **Responsible Stewardship at BRICS**

According to the Saint Leo University, one of the core values of responsible stewardship states, “ Our Creator blesses us with an abundance of resources. We foster a spirit of service to employ our resources to university and community development. We must be resourceful. We must optimize and apply all of the resources of our community to fulfill Saint Leo University’s mission and goals.” In corporate world, this core value is known as the corporate social responsibility by the organizations. It means that the companies have a responsibility towards the larger community and should take active part in environmental issues like social, ethical, health, governance, and much more. To conduct business responsible means to ensure product quality, transparency in financial matters, environmental protection, worker safety, health and safety at workplace, and most importantly, to comply with the laws and industry standards. When an organization is more effective, efficient and responsible, it satisfies more customers and hence, generates more revenue (De Jongh, 2009). When

investor expectations are met, more capital is attracted and this in turn increases the attraction for the best employees.

With the globalization of the world, companies today realize that they need to play an active role in addressing the social environmental issues that influence the mankind. In the emerging market economies like BRICS, leaders are realizing that global economic development is “ the new best way to increase prosperity within and among countries, and to create opportunities for millions of people, especially in the developing world, to secure a decent life for themselves and their children” (Li, Fetscherin, Alon, Lattemann & Yeh, 2010).

For such emerging market economies like the BRICS, placing emphasis on the business ethics and social responsibility means a lot. Japan and North America seem to play the central role in the BRICS countries in determining what is to be produced as well as the price of the product. Moreover, they also impact the work and environmental conditions at the companies in BRICS countries (Peters, Miller & Kusyk, 2011). The rise of these countries has given the local economies great opportunities. These countries are based on socio-cultural and socio-economic texts which means that the concept of corporate social responsibility in the global environment would be changing soon (Lund-Thomsen & Wad, 2014). All these countries have embarked on economic expansion and have introduced reforms to open their markets to the global scene.

For these emerging markets, there are great risks as well as opportunities for the CSR or responsible stewardship. Doing business in these countries is a bit difficult as most are corrupted, have weak governance, lack public

transparency and have high records of bribery and poverty. Therefore, first of all, this concept or core value needs to be integrated locally in these rising economies so that they can come on equal status with the rest of the economic world. It is very important for the BRICS countries to practice corporate social responsibility within their local markets, as it would ensure that they attract more foreign business in the future.

The concept of responsible stewardship clearly states that we must look beyond our personal benefit as it is our duty to share the available resources with the rest of community. So, for the emerging market economies like BRICS, first incorporating this phenomenon at home is critical so that they can deal with the global requirements and standards (Ardichvili et al., 2013).

## **References**

Ardichvili, A., Jondle PhD, D., Wiley Ph D, J., Cornacchione Ph D, E., Li Ph D, J., & Thakadipuram Ed D, T. (2013). Building Ethical Business Cultures: BRIC by BRIC. *The European Business Review*.

Budd, A. (2012). Can the BRICS help global capitalism escape its crisis? *International Journal of Management Concepts and Philosophy*, 6(3), 135--147.

De Jongh, D. (2009). Corporate citizenship around the world: what happens in South Africa? *leadership. Management Today*, 25(5), 25--28.

Gammeltoft, P. (2008). Emerging multinationals: outward FDI from the BRICS countries. *International Journal of Technology and Globalization*, 4(1), 5--22.

Jadhav, P. (2012). Determinants of foreign direct investment in BRICS economies: Analysis of economic, institutional and political factor. *Procedia-Social and Behavioral Sciences*, 37, 5--14.

Li, S., Fetscherin, M., Alon, I., Lattemann, C., & Yeh, K. (2010). Corporate social responsibility in emerging markets. *Management International Review*, 50(5), 635--654.

Lo, V., & Hiscock, M. *The rise of the BRICS in the global political economy* (1st Ed.).

Lund-Thomsen, P., & Wad, P. (2014). Global value chains, local economic organization and corporate social responsibility in the BRICS countries. *Competition & Change*, 18(4), 281--290.

Peters, S., Miller, M., & Kusyk, S. (2011). How relevant is corporate governance and corporate social responsibility in emerging markets? *Corporate Governance*, 11(4), 429--445.

Popescu, G. (2013). THE GROWING WEIGHT OF THE BRICS IN THE GLOBAL ECONOMY. *Journal of Self-Governance & Management Economics*.

Sachs, G. (2001). *Building Better Global Economic BRICs*. Global Economics.

Tu, Y., Lin, S., & Chang, Y. (2011). A cross-cultural comparison by individualism/collectivism among Brazil, Russia, India and China. *International Business Research*, 4(2), 175.

#### APPENDIX

Source: UNCTAD, adapted from the BRICS report 2012. India: Oxford University Press, 2012.