

## BRICS: Relevance, Challenges, and Future Prospects

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The contemporary global landscape is dominated mostly by the conflicts taking place in Eastern Europe and the Middle East. A significant global shift has been taking place. Large developing nations are increasingly asserting their influence in international economic matters and actively working to create alternatives to traditional western-led institutions. The BRICS alliance being one of them is a key player in the economic sphere. BRICS is an inter-governmental organization originally formed by Brazil, Russia, India and China which was termed as BRIC. BRIC turned itself into BRICS in 2010, with the entry of South Africa. The term BRIC was coined by Jim O'Neil of Goldman Sachs in 2001 to highlight the potential of these emerging economies. BRICS today comprise of Iran, Egypt, Ethiopia, United Arab Emirates and Saudi Arabia and thus go by the name as BRICS+.<sup>1</sup>

The first formal summit took place in Yekaterinburg, Russia in 2009, where the leaders emphasized a multipolar world and called for a new global reserve currency to reduce alliance on the U.S. dollar. BRICS nations have held annual summits since 2009, with each member country taking turns to host. The 2024 BRICS Summit will be held in Russia from October 22<sup>nd</sup> to 24<sup>th</sup>.

BRICS+ is one of the most economically potential organization. It represents a significant portion of the global population (41%), GDP (24%) and trade (16%). The member countries are among the largest economies in the world, with India and China being the most populous. Over time, BRICS has established the New Development Bank to fund infrastructure and sustainable development projects in member countries and other emerging economies. Politically, BRICS seeks to enhance its influence in international politics and diplomacy, challenging the dominance of Western powers and promoting a multipolar world order. BRICS can thus be considered as an influential alliance of emerging economies that aims to reshape the global economic and political landscape through cooperation, institutional initiatives, and collective action.

To know more about BRICS, we need to know about how BRICS functions. BRICS serves several key functions aimed at enhancing cooperation among its member countries. It has some major objectives which it tries to fulfill. The first is that BRICS facilitates economic cooperation and trade among its members, focusing on enhancing mutual investment and eliminating trade barriers. BRICS also focuses on financial cooperation where the establishment of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA) are significant achievements in this area. Moreover, BRICS countries engage in regular diplomatic consultations to coordinate their positions on international issues, advocating for reforms in global governance institutions and promoting a multipolar world order. The bloc also puts a lot of focus on socio-cultural exchange, scientific and technological cooperation and address global challenges such as terrorism, cyber-security, health crisis, etc.

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Member countries have significantly contributed for the growth and prosperity of the grouping. Brazil has played a significant role in shaping the BRICS alliance since its inception in 2001. Brazil is a major trading partner within BRICS, with its trade with other members surging by 19.1% year-on-year in 2023 to reach approximately 2.38 trillion yuan. It played a key role in establishing the New Development Bank (NDB) during the 6th BRICS summit in Fortaleza, Brazil in 2014.

As a founding member, Russia has been instrumental in shaping the group's agenda, emphasizing the need for a multipolar world that counters Western dominance. The country is a major supplier of oil and gas, and its participation helps solidify BRICS as a key player in global energy markets. Russian President Vladimir Putin has highlighted the growing influence of BRICS, especially in light of Western sanctions following the Ukraine invasion. He asserts that BRICS can serve as a platform for developing countries to collaborate and resist Western pressures, thus enhancing its geopolitical relevance.

India has made significant contributions to the BRICS grouping since its inception in 2009. India has been a major driver of intra-BRICS trade and investment. In 2022, India recorded over \$100 billion in trade with other BRICS members.<sup>ii</sup> India hosted the 13th BRICS summit in 2021, focusing on areas like the digital economy, green economy, and innovation. India has pushed for BRICS cooperation on issues like terrorism, climate change, and sustainable development. Under India's chairmanship in 2021, BRICS expanded to include Egypt, Iran, UAE, Saudi Arabia, and Ethiopia in June 2024.

China plays a pivotal role in the BRICS partnership, significantly contributing to its economic dynamics and strategic objectives. In 2023, China's trade with BRICS countries surged by 19.1% year-on-year, reaching approximately 2.38 trillion yuan, which underscores its importance as a trading partner within the bloc.<sup>iii</sup> Moreover, China aims to align the BRICS framework with its Belt and Road Initiative (BRI), promoting infrastructure connectivity and economic integration among member countries.<sup>iv</sup> China's dominance in the BRICS alliance is evident, as it accounts for over 50% of the group's GDP and plays a critical role in shaping its policies and initiatives, thus positioning BRICS as a significant counterbalance to Western economic hegemony.

South Africa's trade with other BRICS countries has increased by an average of 10% annually from 2017-2021, reaching R830 billion in 2022. BRICS is an important source of foreign direct investment in South Africa, particularly in mining, automotive, transportation, clean energy, financial services and IT.<sup>v</sup> As the largest economy in Africa, South Africa serves as a gateway for BRICS investment and trade with the continent's 1 billion consumers. As the world's largest producer of platinum, chrome, vanadium and manganese, and a major gold miner, South Africa adds significant mineral wealth to the BRICS resource pool.

The new members have adhered to significantly contribute to BRICS. The expansion is seen as a step towards greater collaboration among emerging economies, with discussions on de-dollarization and enhanced trade relations being central themes moving forward.

### **Relevance of BRICS-**

The expansion of BRICS poses a significant challenge to the dominance of Western-influenced global institutions, such as the World Bank and International Monetary Fund. This shift has far-reaching implications, including the eroding of the influence of the G20. The G20 is experiencing internal divisions, with its seven most advanced economies strengthening ties through the G7, while its six large developing economies assert their voices within BRICS+, further diluting the G20's effectiveness.<sup>vi</sup>

As BRICS+ continues to evolve, its development of political and financial institutions, payment mechanisms, and transaction execution systems will have far-reaching implications. As it has six out of ten of the world's top oil providing countries, providing a greater opportunity for the group to influence global energy which results in altering the dynamics of global energy markets. Additionally, BRICS+ backed financial institutions may challenge the dominance of Western-led institutions, offering new funding options and reshaping global financial architecture. The de-coupling from Western-centric supply chains, BRICS+ nations may establish alternative networks, potentially disrupting global trade patterns. The grouping would also be successful in the introduction of new currencies and payment systems which could impact global monetary policy, influencing exchange rates, inflation, and economic stability. Massive Collaboration among BRICS+ nations may accelerate technological advancements, driving innovation and potentially shifting the global balance of power.<sup>vii</sup>

BRICS, SCO and many other regional organizations have come up to promote multi-polarity but this has come under stress because of the three major declining events of the emerging world order. First is the pandemic, second is the Russia-Ukraine conflict and the third is the most recent Israel-Palestine conflict. These conflicts have global implications.

While it can be said that BRICS has been making some progress towards realizing its objectives, it has quite a distance to travel before it play a leading role for the developing world.

### **Challenges-**

The BRICS grouping faces several practical challenges that need to be addressed to ensure its continued relevance and effectiveness. Key among these is the lack of a clear expansion strategy, which poses significant risks, including the absence of defined criteria for adding new members creates uncertainty and may lead to ad-hoc decisions, potentially undermining the group's cohesion.<sup>viii</sup> However, leaving the door open for expansion at every new presidency cycle may result in unchecked growth, complicating consensus-based decision-making and threatening the group's ability to act decisively. The "big boat effect" poses a substantial risk, where increased membership leads to slower decision making and implementation of initiatives.

One of the significant criticisms of BRICS is that it is perceived as a China-centric grouping, where all member countries trade more extensively with China than with each other. This has led to concerns that BRICS serves as a platform to promote China's interests, rather than a genuine multilateral partnership.

The BRICS+ nations face significant economic challenges that hampers their growth as a grouping. High levels of wealth disparities persist, posing risks to sustainable development and equitable growth. Some BRICS+ nations face economic slowdowns, threatening their growth trajectories. Presence of regional disparities within each BRICS+ nation complicate efforts to implement uniform economic policies, particularly in addressing global challenges like climate change and economy recovery post COVID-19.

### **Future prospects-**

The future prospects of BRICS, particularly following its expansion indicate a major shift in the global economic and geopolitical landscape. BRICS' major development plans like the BRICS Partnership on New Industrial Revolution (partNIR) includes 28 projects, focusing on innovation and technology. A large scale infrastructure initiative aimed at building transport communications across Central, East, South and West Africa, involving over 300 companies from BRICS countries is also under process. Along with this, a Digital Economy Working Group is established which promotes cooperation in digital trade and services, aiming to enhance market access among BRICS+ nations. These projects reflects BRICS commitment to fostering economic integration and addressing global as well regional challenges collectively.

Furthermore, the ongoing struggle for leadership in the Global South, exposes conflicting interests among the BRICS members. There is a noteworthy rivalry between China and India and this has strained their relationship having a negative impact over the grouping. In the future, Russia's and China's positions on whether and to what extent they want to engage, or whether they prefer to push for changes desired by themselves alone, will determine much about BRICS's future as a platform for constructive dialogue and as an advocate for a multipolar shift in world politics.

Coming to conclusions, it can be suggested that to truly emerge as a champion of the developing world, BRICS must overcome its internal divisions. Addressing differing priorities and interests among member states is crucial for a unified front. It is very vital for BRICS+ nations to strengthen its secretariat, come up with dispute resolution mechanisms, and policy implementation frameworks. By addressing these areas, BRICS can bridge the gap between its aspirations and reality, ultimately emerging as a formidable force for the developing world. Ultimately, the success of BRICS will depend on its ability to navigate complex geopolitical dynamics, address internal challenges and addressing its unified front in pursuit of its goals. Its continued growth and cooperation will undoubtedly have far reaching implications for the world.

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### **ENDNOTES**

<sup>i</sup> BRICS. (n.d.). *BRICS Portal*. <https://infobrics.org/>

<sup>ii</sup> Devonshire-Ellis, C.(n.d.). *India's trade and development with BRICS: Analysis and opportunities*. India Briefing. <https://www.india-briefing.com/doing-business-guide/india/trade-relationships/india-s-trade-and-development-with-brics-analysis-and->

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v South African Government News Agency. (2023, August 30). *SA benefits economically from BRICS grouping*. <https://www.sanews.gov.za/south-africa/sa-benefits-economically-brics-grouping>

vi Boston Consulting Group. (2024, January). *BRICS enlargement and shifting world order*. <https://www.bcg.com/publications/2024/brics-enlargement-and-shifting-world-order#:~:text=The%20growing%20BRICS%2B%20gives%20emerging,strongly%20influenced%20by%20the%20West>

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viii Darnal, A., Beri, R., Garcia, A.S., Naidu, S., & Sahay, T. (2023). *The Future of BRICS: Between Objectives and Challenges*. Stimson Center. <https://www.stimson.org/2023/the-future-of-brics-between-objectives-and-challenges/>