

Brics Countries

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Introduction

Fourteen years ago the idea of creation of an economic block was floated and accordingly four emerging economies of the world namely-Brazil, Russia, India and China got a name as BRICs countries or economic block. Later on South Africa also joined the BRICs and the block has come up as BRICS countries. Today, BRICS nations have been contributing in the growth and development of the global economy. The stakes are also higher now than ever before, because emerging economies are more central to the global economy.

The purpose of creating the block was to help in accelerating economic growth of the world on one hand and on the other hand to fill up the gap created by the west in 1999, the block accounted for nearly 23 per cent of the global GDP and 38 per cent on purchasing power parity (PPP) basis. Today the figures have increased to 35 per cent and 50 per cent respectively. BRICS nations accounted for 40 per cent of the total world population and in terms of number the Gross Domestic Product of BRICS stood at US \$ 16 trillion.

Creation of BRICS Bank is the most significant contribution of the economic block and it is believed that the same is alternative to the IBRD or World Bank and Asian Development Bank. Similarly, establishing AIIB is another mile stone in the history of the economic block. The latest silver lining of the BRICS block is the setting up "foreign exchange reserves pool" with an amount of US \$ 100 billion which will help member countries at the time of crisis with dollar liquidity.

The above mentioned three initiatives by the BRICS nations are being considered as the most significant contribution for accelerating economic growth and development of the global economy in general and developing economies in particular and may go a long way in compelling the multilateral institutions to bring balanced approach and make necessary reforms for which the developing economies are insisting.

FERP

Brazil, Russia, India, China and South Africa have signed an agreement to establish the US \$ 100 billion pool of foreign exchange reserves. The largest contribution is of China with a figure of US \$ 41 billion. India, Brazil, and Russia will contribute an equal amount of US \$ 18 billion and the share of South Africa would be US \$ 5 billion.

The Central Banks of BRICS countries have agreed upon to start the operation of the pool by the end of July of this year. The Agreement laid down the terms and conditions in regard to mutual support for members' countries in the framework of the Agreement on BRICS Pool of Conventional Currency Reserves. The most significant thing is that the pool will be an "insurance instrument" that member countries could draw on if these nations experience problems with balance of payments (BOP). The FERP will go a long way in maintain financial stability of its member countries which is the need of the hour.

BRICS bank: Is it an alternative to IMF?

The creation of a development bank by the BRICS nations is a landmark in the history of BRICS countries and it is believed that it

could be an alternative to IMF if the idea of the Bank is implemented in totality and spirit. What made the BRICS nations to establish BRICS Development Bank (BDB), which is an apparent challenge to the existing global financial architecture led by IBRD and IMF?

The IBRD (World Bank) and IMF were created just after the Second World War. The very purpose of establishing these two multilateral financial institutions were to help and rebuild war-devastated Europe and later on in the decade of 1960s, to extend development finance to newly independent economies and to provide liquidity to members nations during the time macroeconomic crises. The BRICS Bank could be an alternative to IMF to fund not just India, but also other developing countries, like many in South America, who do not like borrowing from the IMF because of many strings attached. A strong BRICS can also have more influence in other multilateral forums like the World Trade Organization (WTO) and the Climate Change Convention (CCC). The BRICS initiatives will support growth and stability in member countries and also benefit other developing economies.

Future Action

A development strategy of BRICS (Brazil, Russia, India, China, and South Africa) will be presented in Ufa (Russia) at the organisation's summit due in early July 2015. The Group has worked on the strategy, about which we agreed at the BRICS summit in Fortaleza. The strategy draft will be presented them to the BRICS leaders at the summit in Ufa. BRICS has a chance to become a new model of global relations, which are above the dividing "east-west" or "north-south" lines, as the members respect national specifics, do not interfere with each other's home affairs, and want to leave peacefully.

Future of BRICS bank

The most pertinent fact to be mentioned here is that the creation of BRICS Bank has set its sights on pushing IBRD and IMF and other sisters' organizations to take all necessary measures to faster the reforms. The functioning of the bank could lead world lenders to come out with reduction in lending rates on the one hand and on the other hand to relax terms of disbursement. Project funding could become more beneficial with more funding options, particularly, if BRICS nations work closely together. There is concrete saying that "coming together is the beginning, staying together is progress and working together is a success". BRICS is likely to remain an effective and efficient multilateral forum in multi-polar global order.

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Whether or not the BRICS Bank could attain its objectives and philosophy, being an alternative source of funds to IBRD/IMF will be depending upon the sincerity, adherence on its philosophy, and commitment of the members' nations towards the working of the

bank in promoting and attaining the objectives for which the bank is established. The bank should not be just another project funding organization, but should have more degree of responsiveness towards the development goals of the member country.