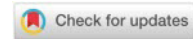


BRICS TENDENCIES TOWARDS REDEFINING THE GLOBAL ECONOMIC ORDER

Radomir Stojković^{1}, Slađan Milosavljević¹*

¹Faculty of Engineering Management, Serbia, e-mail: radomir.lale@gmail.com, sladjan.milosavljevic@fim.rs



Abstract: The paper analyzes the tendencies of BRICS (Brazil, Russia, India, China, South Africa) as an informal block for the creation of a new global economic and political reality. Former superpowers and economies with the most pronounced growth trends are today gathered around a common idea - the creation of an alternative global order. Propagating their vision of the modern world, the BRICS member states seek to change the current constellation of forces at the global level, shift the center of world power from the Euro-Atlantic region and create functional multilateralism. Using the idea and concept of the New Silk Road, China is strengthening its influence in an area where it was not represented during the first decade of the 21st century. Russia is building a new global position based on its energy potential and military cooperation with non-European countries Brazil, India and the Republic of South Africa use instruments of economic diplomacy to further strengthen competitive activities. Brazil is focused on the growth of the trade exchange of agricultural products, above all, fruit. India is repositioning itself globally on the basis of industrial production in the field of information and communication technologies. The Republic of South Africa, as the most developed country in Africa, finds the basis for a new role on the international stage in natural resources and a developed mining sector. The individual influence that the states of this forum have in the global framework is strengthened by joint and coordinated action within the most important global institutions. Certain changes have been made in the quota system of the International Monetary Fund, the issue of the election of leading individuals of the World Bank Group and the World Trade Organization is increasingly topical, as well as the reform of the United Nations Organization, all as a result of the influence of the BRICS countries in the aforementioned institutions.

Keywords: BRICS, global economic order, reform of global organizations, International Monetary Fund, fair trade

Field: Social Sciences and Humanities

1.INTRODUCTION

The process of globalization and accompanying tendencies imposed the necessity of interaction of both individual states and alliances with international and regional organizations and forums. The development of cooperative relations between BRICS member states and various international and regional actors is of vital importance for the promotion of common interests in international trade, investment, industrial, scientific and technological cooperation. BRICS members strive to, by joint action, further strengthen their role on the global economic and political scene through existing and new mechanisms of cooperation, coordination with other international and regional organizations, associations and forums, as well as deepening the format of cooperation and interaction within the bloc itself. Through participation in various multilateral, global organizations, cooperation between BRICS member states can be further improved. Joint and synchronized action in global institutions (primarily within the framework of the United Nations, the World Bank, the International Monetary Fund, etc.) strengthens the role of the bloc in the international framework. This gives BRICS members the right to initiate the discussion of deeper reforms of these and other global institutions. At the same time, it affects the development of cooperation relations with third countries and increases the importance of mutual intra-cooperation. In this way, development is promoted and sustainable growth is influenced in certain regions and economic sectors.

Bearing in mind the importance that foreign trade has for individual and global development in conditions of universal integration, the BRICS member states advocate the closest possible cooperation in this area. This affects the creation of new jobs, thereby reducing poverty, as well as balanced growth and development. At the same time, all BRICS member states are full members of the World Trade Organization, which means that they advocate for the establishment and development of a multilateral trade system, for the reduction of discriminatory behavior in the field of trade, and the establishment of market and transparent relations between actors in the international context. In addition, they seek to minimize protectionist actions and reduce restrictions related to trade flows in international frameworks.

In addition to an active role within the World Trade Organization and the United Nations Organization,

*Corresponding author: radomir.lale@gmail.com



the Group of 20, it also has an important place in the process of promoting fair trade. Coordination of the activities of the BRICS member states within the aforementioned organizations and forums is very important for strengthening both inter-BRICS relations and balancing global growth and strengthening the global economic-political scene.

2. THE GROWING IMPORTANCE OF BRICS IN THE INTERNATIONAL COMMUNITY

A general and increasingly significant feature of the current international system is that several key developing markets are gaining more and more space on the international stage and becoming increasingly influential global players. When he coined the acronym BRIC in 2001, O'Neill (2001) clearly presented to the world what influence this alliance will have during the 21st century. Namely, a report within one of the largest private investment organizations predicted that by 2032, the BRICS member states would have the same influence as the "Big Seven", that is, the Group 7 member states. With the accession of the Republic of South Africa to the forum, this informal alliance became a widely used term for the transfer of global economic power from developed countries to countries that have great industrial potential and importance within the global economy.

What creates an imbalance in the distribution of power in international relations is the fact that the BRICS economies are still characterized as developing countries. At the same time, the economic power of countries with a pronounced industrial potential for the global economy is not adequately reflected in their geopolitical influence on global political events, just as the individual foreign policies of these countries within the international community do not have a significant impact on changes in world events. The transition from economic power to international influence is a difficult process. The latest division of power into hard, soft and smart, constructed by Nye (1990, 2004) gains importance in the examples of these states. BRICS member states, as well as others from the Group of 20, have an influence on changes in the opinions and behavior of third countries, while at the same time contributing to the creation of the international global scene. Due to the potential of their economies, they are defined as emerging powers, which describes their growing international influence.

We are witnessing that BRICS member states and the rest of the G20 are more and more involved in world events and solutions to various global problems. Individual BRICS member states are significant regional players in maintaining the region's security and dealing with economic challenges, by addressing them through regional institutions or coordinating with major external players. Some members have been supporting or even one of the main players in political responses to crises such as the nuclear problems in North Korea and Iran, peacekeeping missions in Haiti, the coup d'état in Honduras, the separation of the two Sudans. At the same time, part of BRICS (Brazil, South Africa, India and China) constantly and actively participates in the work of United Nations bodies and in international negotiations on climate change since the conference in Copenhagen in 2010 (Bruce, 2011). Also, India, Brazil and the Republic of South Africa are working to promote the reform of the UN Security Council and regional development in Africa. With joint forces, BRICS as a group strives to conceive a fair and just world order, first of all by advocating the idea of reforming international institutions (Bryant, 2014).

This proactive attitude on the international stage shows that developing countries see their future in deeper, above all, economic integration in the international system and globalization. Although these states have often identified themselves as regional powers, projecting their influence on the global level cannot be solely based on the regional level to which they belong. In fact, their regional leadership is often contested, because China and Brazil often face significant challenges within their countries, but also within the regions they belong to, as well as with major powers from other regions. In spite of numerous challenges of this kind, the BRICS countries have established very strong political and economic ties with the rest of the world and thus assume a leading or supporting role in regional and global cooperation.

With the exception of Russia, which represented one of the poles of the Cold War bipolar division, the developing countries are acting as real global players for the first time in their history. China's previous dominant influence was mainly established in the East Asian area during the era that preceded the modern system based on state sovereignty. Similar to China, India's traditional power was largely confined to the South Asian area. Both Brazil and South Africa have a relatively short history as a strong regional player with a strong interest in building good neighborly relations in their respective regions. Gradually, these developing states (emerging powers) began to follow an upward path in the international constellation of forces, through a carefully designed global strategy in order to bring the benefits they have from participating in the global economy to the purely political scene. Today, the economic power of these countries can be felt all over the world. China's full membership in the World Trade Organization is such

an example, and its economic engagement within this global institution has gone beyond the boundaries of traditional developed markets, so that today China actively participates in the regional development of Africa, Latin America, the Middle East and Central Asia. This means that developing countries are not only important trade partners for the developed world, but are also active participants and key creators of the development of global society.

In order to expand their economic partnerships and protect their growing global interests, the states with the most pronounced industrial potentials are beginning to transform their economic power into international political influence. The first step towards that goal is that BRICS became a political entity with the aim of exploring internal economic opportunities among members as well as reforming the global governance system. Developing countries have realized that solving domestic development challenges requires a more favorable external environment and better partnership relations with distant neighbors. South Africa, a country with a population of 50 million, was invited to join the BRICS summit more because of active global diplomacy and its regional influence, and less because of its economy. The accession of the southernmost country of the black continent showed the interest of BRICS for the whole of Africa and the desire to be an influential global entity with leading members of the continents. In this context, the reform of the main global institutions becomes a primary task for the most important developing countries. Global and regional institutions can be used to protect growing BRICS interests, thereby influencing the promotion of individual values and creating a vision for the future world order (Matovska, Trajkoska & Siljanovska, 2014).

3. REFORM OF GLOBAL FINANCIAL INSTITUTIONS UNDER THE INFLUENCE OF BRICS

The emergence and development of BRICS shows the complexity of today's world economy and the growing influence of developing economies on it and the globalization process in general. The summits of the BRICS member states represent an international platform whose structure reflects the distribution of economic forces in today's world. The countries of this forum participate with over 20% in the creation of the global social product (IMF, 2021a). Meetings within BRICS, promoted at the summit level, showed their importance for the global economy at the time of the greatest crisis of the modern financial and economic system. However, it should be emphasized that BRICS was not created to solve the problems caused by the crisis of global proportions, but to establish stability and continuity in development in the global economy and politics.

When the first informal BRIC summit was held during the 2008 financial crisis, it focused on understanding the crisis and how to work together within the Group of 20 to reform international financial institutions. Major achievements of the Group of 20 include a global recovery plan and a \$1.1 trillion increase in IMF resources. The BRICS countries have particularly contributed to these successes. China launched an impressive domestic stimulus plan (New Silk Road), while Brazil, which was already a traditional debtor and "defaulter", became one of the IMF's key collaborators. The IMF Board of Directors agreed on the transfer of IMF shares with voting rights to developing economies (IMF, 2022). Also, other governance efforts, such as the Group of 20 initiative on the Financial Stability Board, financial regulatory policy, mutual assessment mechanisms and the development agenda, are very important for the future and problems of developing economies.

In all these bodies, BRICS member states have strengthened their influence of integration in the global context. All BRICS members are leading economies in their regions and influential members of the World Trade Organization. The recent entry into the World Trade Organization may help Russia to improve its economic position since until recently Russia's financial power has been relatively small compared to BRICS partners. Some theorists believe that Russia's economic and political influence is solely based on the influence of the Russian energy sector on consumers in Europe and Asia (Milosavljević, 2014). China and Brazil are the biggest winners of the 2008 IMF quota reform. The continuation of reforming the functioning of not only the IMF, but also the World Bank and the World Trade Organization is increasingly necessary (Abebe et al., 2012), however, the United States, as the main financiers and policy makers, is trying to delay as long as possible, because the reforms will reduce impact on a global scale. The new BRICS development bank was formed precisely because of the unequal position of the developing countries and the most developed economies of the planet. Developing countries, and above all BRICS members, strive to formalize reforms within the framework of the International Monetary Fund as soon as possible. Namely, with the agreement from 2008, these countries have increased their influence within the most important monetary institution in the world by increasing their participation in special drawing rights

according to the following key:

Country	Previous share (%)	Participation after increasing the share SDR (%)
Brazil	1,78	2,32
Russia	2,50	2,71
India	2,44	2,76
China	4,00	6,41

Table no. 1 - Change of quotas within the reform of the IMF
 Source: IMF, 2021b.

In addition to changes in the quota system, the reform of the International Monetary Fund also includes changes in the management structure. The changes advocated by the developing countries, led by the BRICS member states, are also reflected in the change in the structure of the Board of Executive Directors of the IMF. BRICS members insist that the directors are elected, not appointed, as has been the practice until now. At the same time, in order to reduce the influence of the most developed European countries in the management structure, it is advocated that the number of appointed directors be reduced to two.

Under the current international monetary system, the BRICS countries feel the need to accumulate significant reserves to avoid financial risks and problems. The members of BRICS are therefore advocating for the reform of the world currency system, promoting alternatives to the US dollar or promoting special drawing rights. From the perspective of the BRICS countries, there are some things that need to be changed. Thus, BRICS advocates accelerated diversification in the international system of currency reserves, all with the aim of establishing a responsible international currency system. Then, BRICS member states increasingly point to imbalances in the balance of payments, i.e. surpluses in developing countries and deficits in, for example, the United States of America as potential investment destinations for new developing markets. The next thing that is insisted on in the framework of international economic relations is the decision-making mechanism within the International Monetary Fund. BRICS member states point to the hegemonic attitude of the United States of America and several developed European countries. BRICS tendencies are directed, among other things, towards changing the mechanism of selecting senior managers within the IMF, which they indicate is non-transparent and that the standard criteria are based on nationality, not on the expertise and creative ideas of individuals. As developing countries increasingly participate in the creation of the global rather than domestic product, and the material resources of the International Monetary Fund are limited, there is a need for a greater contribution of developing countries in financing the activities of the global monetary institution. In return, developing countries rightly expect fairer treatment in terms of voting rights reform. Improving the function of regulation and monitoring of international financial markets is imposed as another very important task of the International Monetary Fund. Developing countries, led by the BRICS countries, strive to make this topic as current as possible, because in this way systemic risks in the financial sector are controlled and at the same time the effects of economic crises in highly developed countries are minimized. Proactive control of national and regional financial markets would have the result of preventing the spillover of the crisis from developed to developing countries (Jones, 2012).

The position of BRICS members is that financial institutions, primarily the International Monetary Fund, should be reformed as soon as possible in favor of countries that have development potential. In addition to the members of the BRICS and other members of the Group of 20, within the IMF itself, efforts are being made to implement reforms that will be in line with global circumstances and have a developmental character. The complete aspiration and efforts invested in reforming the International Monetary Fund have a preventive character, i.e. prevention of the collapse of the international economic system.

However, it should also be emphasized that there is an intense competition between the main economies within the Group of 20 and the most developed economies of the world for special interests and influence within global financial institutions. Thus, the United States and its major European partners share a common interest in protecting the global system from collapse, but within that system there is an overwhelming individual drive for political and economic supremacy.

4.CONCLUSION

The countries gathered around BRICS, an informal political forum, have great economic potential and political importance, which are necessary for the normal functioning and conception of the global economy and politics. For this reason, they rightly advocate a position on the reform of global institutions and the transfer of rights and powers by, above all, the United States of America, to developing countries in the context of increasing the share in the management structure of global institutions. Potentially increased by the diffusion of global power (both economic and political), it is impossible without positive cooperation between the countries that currently have the greatest influence and the countries whose influence is increasing every day (the most developed and developing countries).

The BRICS member states are already applying their economic potential and strength to the process of reforming global financial institutions. China's participation in the quota system of the International Monetary Fund has been significantly increased. The other BRICS members are not exempt from this increase either, with the same in the case of Russia, India and Brazil following the state and discipline of the national economies. With their participation in global economic flows, the BRICS member states forced the World Bank and the International Monetary Fund on the topic of reform as a priority in future functioning, and with the establishment of the New BRICS Development Bank, conditions were created for alternative financing of large infrastructure projects.

China, as a BRICS member state, is the main foreign trade partner for most countries in the world. In addition, it has great influence in the work of the United Nations Organization, as it is a permanent member of the Security Council. After reforming its economic and political scene, Russia has returned to the very top of the world. The energy sector and dedicated industry are the main assets of Russian development and international cooperation. Brazil is one of the most developed economies in South America and has great potential in the primary sector. The situation is similar with India and the Republic of South Africa where, in addition to this, the financial sector is highly developed and sophisticated.

Due to the economic importance they have in the global context, BRICS member states can also influence numerous social issues. If the political cooperation of these countries were legally regulated, the conditions for the formation of a multipolar world would be created. Political cooperation on European soil was established through the institutions of the European Union. The area of the Euro-Atlantic region is gathered around the North Atlantic Treaty Organization. Although the membership of the EU and NATO largely coincides, there are issues around which the discussion is still open. Bearing this in mind, even the loosest form of political cooperation among BRICS member states can change the political scene of the Planet.

REFERENCES

- Abebe, H., Dugan, R., McShane, M., Mellin, J., Patel, T. & Patentas, L. (2012). The United Nations' Role in Global Economic Governance, Milano: Milano School of International Affairs, Management, and Urban Policy
- Bruce, J. (2011). Beyond Blocs: The West, Rising Powers and Interest-based International Cooperation, Policy Analysis Brief, Muscatine: The Stanley Foundation
- Bryant, E. H. (2014). The Diplomatic Ambitions of the BRIC States: Challenging the Hegemony of the West. *Journal of International Relations and Foreign Policy* Vol. 2, No. 2, pp. 01-18
- International monetary fund (IMF, 2021a), (access: 12.01.2021. https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WWEOWORL)
- International monetary fund (IMF, 2021b), (access: 28. 12. 2021. <https://www.imf.org/external/np/sec/memdir/members.aspx>)
- International Monetary Fund (IMF, 2022), (access: 15. 08. 2022.) <https://www.imf.org/external/np/fin/quotas/pubs/index.htm>
- Jones, B. (2011). Beyond Blocs: The West, Rising Powers and Interest-based International Cooperation, Policy Analysis Brief, Muscatine: The Stanley Foundation
- Matovska, M., Trajkoska, J. & Siljanovska, Z. (2014). The impact of BRICS from economic, legal and political aspect in the international community, *European Scientific Journal*, special edition vol. 1, 370-376
- Milosavljević, S. (2014). Rusija i mir: Strategija bezbednosti Ruske federacije: geopolitički, energetske i vojni aspekt, *Akademski misao i Inovacioni centar Fakulteta bezbednosti Univerziteta u Beogradu*, Beograd
- Nye, J. (1990). *Bound do lead: The changing nature of American power*. New York, Basic Book
- Nye, J. (2004). *Soft power: The means to success in world politics*. New York: PublicAffairs.
- O'Neill, J. (2001). *Building better global economic BRICs*. London: Goldman Sachs Global Research Centre, Global Economics Paper No: 66