

# **CAUSAL LAYERED ANALYSIS OF SOUTH AFRICA'S INCLUSION IN BRICS**

**BY**

**VIWE ANDA NTOMBIKAYISE MALITI**

**2013**

Treatise presented in partial fulfilment of the requirements for the Degree of Master of  
Business Administration at the Nelson Mandela Metropolitan University.

**SUPERVISORS:**

**Dr C. Adendorff**

**Ms A. Tsoukarelli**

## **I. Declaration**

In accordance with Rule G4.6.3, I, Viwe Anda Ntombikayise Maliti, hereby declare that the above-mentioned treatise is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

## **II. Acknowledgements**

Firstly, I would like to express utmost gratitude to my supervisors, Dr Chris Adendorff, and Ms Aspa Tsoukarelli, for their patience, support and encouragement, which has resulted in the completion of this dissertation. You have helped me realise my dream!

Secondly, to my loving husband, thank you for the support, love and enormous encouragement. You are my hero; without you, none of this would be possible. Thank you for staying up at night with me and all those caffeinated beverages. To my precious daughter, Lavela, thank you for the hugs, kisses, laughter and distractions; you made me stay in touch with my 'motherly role'.

Thirdly, I would like to express gratitude to my father, Sinda, for his support, my mother, Jennifer and mother in law, Gladys, for their unwavering love and prayers. To my baby sister, Chuma Xundu, thank you for factoring 'greatness' into my life.

A big 'thank you' goes to the staff, lecturers and professors of NMMU for imparting their valuable life-changing knowledge on me. You have harnessed the leader in me.

To God, thank you for my life.

This dissertation is dedicated to my supportive husband, Mziwothando and my vibrant and intelligent daughter, Lavela Maliti.

### **III. Abstract**

This treatise is undertaken with the purpose of investigating, through the application of the critical futures technique, causal layered analysis (CLA), the case for South Africa's inclusion in the BRICS alliance. CLA is explored as a technique that allows for the creation of transformative knowledge which contextualises our reality, enabling techniques for exploring different alternatives that lead to outcomes.

In an attempt to understand the unique features that underscore these emerging economies and why they are considered the engines behind global economic growth, the member states' economies are systematically deconstructed. By analysing key economic variables, strengths and weaknesses, CLA allows for the development of conclusive narratives regarding the legitimacy of all BRICS economies.

This study discusses the motivation for the formation of this alliance and its role in the global economy. It demonstrates and sorts out the different views concerning its dreams and aspirations. The all-inclusive nature of CLA allows for the consideration of a wide range of perspectives that seek to clarify motives behind the convergence of the BRICS economies to form an alliance.

South Africa's membership is assessed, using both the economic and political schools of thought. On a balance of a number of dominant views, considered valid, that either support or reject the inclusion of South Africa, this study demonstrates that whether or not it belongs amongst the major emerging countries is an absurd question. It thus proposes that a pertinent question to ask is one that explores ways in which South Africa can effectively capitalise on its BRICS membership to drive its own economic growth.

**Key Words: BRIC, emerging economies, South Africa's role in BRICS, Causal Layered Analysis.**

## CONTENTS PAGE

<b>I.</b>	<b>Declaration</b>	<b>i</b>
<b>II.</b>	<b>Acknowledgements</b>	<b>ii</b>
<b>III.</b>	<b>Abstract</b>	<b>iii</b>
<b>IV.</b>	<b>List of acronyms and abbreviations</b>	<b>vi</b>
	<b>CHAPTER 1: INTRODUCTION</b>	<b>7</b>
1.1.	OVERVIEW OF THE GLOBAL SHIFTING POWERS	7
1.2.	RESEARCH FOCUS	13
1.2.1	RESEARCH PROBLEM	13
1.2.2	RESEARCH QUESTION	14
1.2.3	RESEARCH AIM	15
1.2.4	RESEARCH METHODOLOGY	16
1.3	LAYOUT OF THE STUDY	17
1.4	MOTIVATION FOR UNDERTAKING THE RESEARCH	17
1.5	RESEARCH PROTOCOL	18
1.6	CONCLUSION	19
	<b>CHAPTER 2: RESEARCH METHODOLOGY</b>	<b>20</b>
2.1	INTRODUCTION	20
2.2	THE FUTURES STUDIES DISCIPLINE	21
2.3	EXPLORING CAUSAL LAYERED ANALYSIS	23
2.4	CLA AS A RESEARCH THEORY	25
2.5	CLA AS A RESEARCH METHODOLOGY	28
2.6	MOTIVATION FOR CHOOSING CLA	30
2.7	CONCLUSION	31
	<b>CHAPTER 3: LITERATURE REVIEW</b>	<b>32</b>
3.1	INTRODUCTION	32
3.2	THE BRICS EMERGING ECONOMIES	33
3.3	ANALYSIS OF THE BRICS EMERGING ECONOMIES COUNTRIES	38
3.3.1	THE BRICS NATIONS IN THE GLOBAL ECONOMY	38
3.3.2	FUTURES OF THE BRICS ECONOMIES	40
3.3.3	DEMOGRAPHIC PROFILES OF THE BRICS ECONOMIES	45
3.3.4	SYNOPSIS OF THE BRICS MEMBER STATES.	47
3.3.4.1	BRAZIL	47
3.3.4.2	RUSSIA	49
3.3.4.3	INDIA	51
3.3.4.4	CHINA	53

3.3.4.5	SOUTH AFRICA	56
3.3.5	STRENGTHS AND WEAKNESSES OF THE BRICS ALLIANCE	57
3.3.6	STAYING ON THE PROJECTED PATH	60
3.4	MEASURING NATION'S ECONOMIC PROGRESS	62
3.4.1	GROSS DOMESTIC PRODUCT (GDP)	63
3.5	DYNAMICS OF INTERNATIONAL TRADE AND TRADE THEORIES	65
3.6	WHY STATES JOIN A TRADING BLOC?	67
3.7	REGIONAL INTEGRATION AND TRADE BLOCS	68
3.8	THE BRICS ECONOMIES AND THE GRAPPLE FOR AFRICA'S SPLENDOUR	70
3.9	CONCLUSION	74
<b>CHAPTER 4: APPLYING CAUSAL LAYERED ANALYSIS</b>		<b>75</b>
4.1	INTRODUCTION	75
4.2	WHAT IS THE MOTIVATION FOR THE FORMATION OF BRICS?	75
4.2.1	LEVEL 1: THE LITANY	75
4.2.2	LEVEL 2: SOCIAL OR STRUCTURAL ANALYSIS	77
4.2.3	LEVEL 3: WORLDVIEWS/DISCOURSE	80
4.2.4	LEVEL 4: MYTH OR METAPHOR	82
4.3	DOES SOUTH AFRICA FIT THE BRICS AGENDA?	84
4.3.1	LEVEL 1: THE LITANY	84
4.3.2	LEVEL 2: SOCIAL OR STRUCTURAL ANALYSIS	86
4.3.3	LEVEL 3: WORLDVIEW / DISCOURSE	88
4.3.4	LEVEL 4: MYTH/METAPHOR	90
4.4	CONCLUSION	91
<b>CHAPTER 5: FINDINGS AND RECOMMENDATIONS</b>		<b>92</b>
5.1	INTRODUCTION	92
5.2	THE DISCOVERY VERSUS THE BIRTH OF THE BRICS ALLIANCE	92
5.3	ECONOMIC JUSTIFICATION FOR THE FORMATION OF BRICS	96
5.4	THE GEOPOLITICAL MOTIVATION FOR THE FORMATION OF BRICS	97
5.5	CONCLUSIVE REMARKS: MOTIVATIONS FOR BRICS ALLIANCE FORMATION	99
5.6	DOES SOUTH AFRICA BELONG TO THE BRICS?	99
5.7	CONCLUSIVE REMARKS: DOES S.A. BELONG IN THE BRICS ALLIANCE?	102
5.8	CAPITALISING ON ITS BRICS MEMBERSHIP	104
5.9	AREA FOR FURTHER STUDY	106
5.10	CONCLUSION	107

#### **IV. List of acronyms and abbreviations**

ANC	African National Congress
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CLA	Causal Layered Analysis
COSATU	Congress of South African Trade Unions
FDI	Foreign Direct Investment
WWW	World-wide web or internet
GDP	Gross domestic product
GES	Growth environmental score
G6	France, Germany, Italy, Japan, UK & USA
G7	Canada, France, Germany, Italy, Japan, the UK and the USA
IBSA	India, Brazil, South Africa
SACP	South African Communist Party
SADC	Southern African Development Community
UK	United Kingdom
USA	United States of America
PPP	Purchasing Power Parity

## CHAPTER 1: INTRODUCTION

### 1.1. OVERVIEW OF THE GLOBAL SHIFTING POWERS

In their own words, Vlad, Hurduzeu, Josan and Vlăsceanu (2011) state: “...*the 21<sup>st</sup> century appears to be the Asians’ century following the 20<sup>th</sup> century which was America’s and the 19<sup>th</sup> belonged to Europe....*” The winds of change have indeed swept across the globe, leaving some in total disbelief. Previously considered the developing economies of the third world, the major emerging economies have moved to the fore becoming the key engines responsible for global economic change of the present and next world (Vlad *et al.*, 2011). Multinational conglomerates from developing countries are now, like never before, responsible for major global investment flows, with 96 of the Fortune 500 companies coming from the BRICS economies (Gumede, 2013). Once considered the ‘ideal benchmarks’ for developing countries to emulate, the western economies are observably being displaced in various markets (Gumede, 2013). The western dominance has passed its peak (Armijo, 2007). The 21st century will go down into history as the period that witnessed the greatest turning point in the global economic landscape. In this century, the combined GDP of the emerging economies has risen to challenge the combined output of the developed countries with China and India leading the pack (Vlad *et al.*, 2011).

One of the distinct features of the human species is their ability to reflect on the past occurrences and envisage possible futures, which allow for the concentration of efforts towards achieving an ideal future state. This phenomenon is witnessed through the works and foresights conducted and published by Goldman Sachs



devoted towards studying the development of the so-called 'emerging economies'. The BRIC concept came into light in 2001 after the Goldman Sachs economist, Jim O'Neill, outlined his future worldview in his renowned economic paper entitled "Building Better Global Economics" which projected a major economic shift away from the West (O'Neill, 2001). The acronym 'BRIC', according to O'Neill, represents the four major emerging economies as Brazil, Russia, India and China acknowledged by many researchers as responsible for the positive change in the global economy (O'Neill, 2001; Grant Thornton, 2012; Wilson & Purushothaman, 2003: 2; O'Neill, Wilson, Roopa, Purushothaman & Stupnytska, 2005:3).

The Goldman Sachs paper predicted that these countries would become economic powerhouses in the not so distant future (O'Neill, 2001; Dubbelman, 2011), thereby exerting pressure on the traditional powerhouses such as the Group of Seven (G7) countries (Grant Thorton, 2012). The G7 is a forum of finance ministers and central bank leaders from Canada, France, Germany, Italy, Japan, the UK and the USA who interact on a continuous basis with an objective of machinating areas of compatibility in order to drive economic advancement in these economies (Baker, 2008). The rise of the BRICS nations significantly affected the growth performance of the G7 countries as their share of global GDP fell from 72 percent in 2000 to 53 percent in 2011(Carmody, 2013). The BRIC countries are acknowledged as key role players in the world economy and as significant producers of goods and services, receivers of foreign direct investment (FDI) and to possess large potential consumer markets given their relative large populations (Vlad *et al.*, 2011). Developed countries such as the G7 possess lower growth potential because of their 'already developed' status (O'Neill *et al.*, 2005). Caught up in bail out deals for their commercial banks and

strategic industries, the developed nations are using state funds because of the recent global financial crises that had an adverse effect on them and in response to the pressures experienced from the booming emerging economies (Gumede, 2013). The developing countries such as the BRICs demonstrate a higher potential for rapid growth (O'Neill *et al.*, 2005) as they catch up with the developed world. The adverse performance of the US economy, the largest economy in the world, and the debt crises in Europe, which resulted in the global crisis, tilted the scales in favour of the emerging economies such as China, India and Brazil, thereby reshaping some of the long standing unequal global power relations between the developing and the developed countries (Gumede, 2013). What really sets the BRICs economies apart from other emerging economies is the outstanding size of their economies, ample land and large internal markets (Vlad *et.al*, 2011).

Wilson and Purushothaman (2003) of Goldman Sachs studied the predictions of O'Neill further and the results of their research paper entitled "Dreaming with BRIC: The path to 2050" fell into five major categories 1) the economic size; 2) economic growth; 3) incomes and demographics; 4) global demands patterns; and 5) currency movements. The following were amongst the critical findings of their study:

- By as early as 2025, the BRIC economies would account for over half the size of the (Group of six) G6 in US dollar terms.
- China would overtake Germany and Japan by 2039 with Russia moving ahead of Germany, France, Italy and the United Kingdom;
- Over the next 30 years, India's growth prospects estimated in excess of five percent and could be larger than China and US by 2033.

- The combined growths of the BRICs economies will however slow down – by 2050 only India will be projecting growth in excess of three percent.
- Despite projected growth, individuals within the BRICs economies will be poorer than in the (Group of Seven) G7 economies by 2050.
- Appreciation of the BRIC's real economic exchange rate is expected to increase by up 300 percent by 2030.

Subsequent to the publishing of the Goldman Sachs report and the coining of the BRICs acronym, the BRICs countries formed an alliance which attempts to carry out integration initiatives through programmes such as the annual summits attended by heads of member states held since 2006 (Morazan, Knocke, Knoblauch & Schaffer, 2012; Dubbelman, 2011). The purpose of such gatherings is to discuss matters of national economic progressive interests and recently, the establishment of the BRICS development bank (Gumede, 2013). There is no binding agreement between the BRICS countries, their alliance thus far affirmed by their common attendance at the BRICS summits and cooperative steps geared towards improving trade relations amongst these nations (Dubbelman, 2011). This partnership offers its members a platform for member states to share innovative ideas of development, the policy space to make independent development, trade and political decisions (Gumede, 2013).

Encouragingly, all the BRICs economies rank in the top half of the rankings for developing economies and above the developing country mean (O'Neill *et al.*, 2005). They present a great potential in that they possess the scale and trajectory to challenge some of the traditionally powerful economies and move to the fore of key decision-making positions with regard to the global economic affairs (O'Neill *et al.*,

2005). These new emerging powers are not just exerting trade rival pressures on the developed world but are outshining the Western colonial powers in Africa, acknowledged by some as the trade battlefield due to its rich natural factor endowments. The old colonial powers seek to maintain and re-enter Africa with the aim of securing resources in order to aid their ailing economies whilst the new economies are fighting for a chunk of Africa's resources in order to keep growing their economies (Gumede, 2013).

In 2012, the BRICs countries accounted for 37 percent of global economic growth with China contributing 22 percent (Grant Thornton, 2012). Intra-trade between the BRICs nations has accelerated from five percent in 2000 to eight percent of their total trade in 2008 (O'Neill *et al.*, 2005). Due to their geographic dimensions and enhanced global power, BRICs members are already influencing global development initiatives especially in low-income countries (Morazán, Knocke, Knoblauch & Schaffer, 2012).

To the apprehension of many researchers, including O'Neill, South Africa was formally invited to join the group in 2010 adding the 'S' to the BRIC reflecting this expanded membership. South Africa's economy is much smaller than that of any of the four other BRICs economies with its GDP only constituting a third of Brazil's or Russia's and a fraction of India and China's economy (Morazán *et al.*, 2012; O'Neill *et al.*, 2005; Cronje, 2010; Mnyandu, 2013). At approximately fifty million people, it has by far the smallest population of the five countries constituting only approximately one third of the 142 million people in Russia, a quarter of the 192 million people in Brazil, a fraction of the 1.14 billion and 1.32 billion people in India and China respectively (Cronje, 2010). It possesses a relatively insignificant

domestic market and is admittedly the smallest BRICs member. South Africa also brings about its unique social challenges, which include, amongst other things, lower life expectancy and high levels of unemployment (Cronje, 2010).

Whilst the country competes aggressively well with its BRICs counterparts on aggregates such as income per capita and cell phone penetration (Cronje, 2010), many analysts still argue against its inclusion into the group. Some researchers and leaders within the South Africa's leading political party state that whether or not South Africa should be part of BRICS is an irrelevant question (Gumede, 2013). Many authors have attempted to articulate the possible reasons for South Africa's inclusion into the bloc. Some analysts argue that political interests as opposed to strict economic reasons (Dubbelman, 2011) motivated the inclusion of South Africa into BRICs whilst others blame it on the country's historical relations with the other four BRICs countries (Fakir, 2010). Others advance the argument that "it's not size that matters", claiming that the BRICS grouping is not just a mere geopolitical, trade and economic bloc but rather a strategic and tactical alliance based on each country focusing on securing common interests as well as those of individual member states (Gumede, 2013). O'Neill refuses to acknowledge the 'S' in the BRICS and passionately asserts, "*It is wrong. South Africa does not belong in BRICS and has somewhat weakened the group's power*" (Naidoo, 2012). Other economist and analysts believe that Nigeria, Africa's most prolifically populated country, is a better choice for an African partner to BRIC (O'Neill, 2011; Dubbelman, 2011). The then South African Minister of Economic Development Nkoane-Mashabane argued that it is due to the country's strategic importance and not its size that the country was admitted into this group emphasising that South Africa will serve to bring the African

agenda to the BRICs table (Dubbelman, 2011). Some analysts argue that South Africa is the largest investor in Africa and highlight its importance as a financial intermediary to Africa (Gumede, 2013). Dubbelman (2011) argues that the 'S' in BRICS should ultimately stand for the Southern African Development Community (SADC).

Beyond what commonly is understood concerning the BRICS alliance as a trade alliance, this treatise aims to arrange the available information in an attempt to clearly discern the motivations for the formation of this grouping and to establish South Africa's place in it. In an attempt to bring to the fore the not so obvious realities about this bloc, we investigate whether South Africa's membership is legitimate as a BRICS member. Contrasting the performances of the BRICS members, this treatise will come up with recommendations on how South Africa can learn by drawing from the rich experiences of other member countries in an endeavour to move its economy forward.

## **1.2. RESEARCH FOCUS**

### **1.2.1 Research Problem**

The inclusion of South Africa into the BRIC bloc appears to be a subject of debate amongst many researchers and columnists who continue to share their opinions regarding this decision. Some view Nigeria, the most prolifically populated country in Africa, as having the most potential for economic growth, thereby the most deserving to be included into this bloc (O'Neill cited in Dubbelman, 2011). Some authors continue to express deep feelings of disbelief about this inclusion, which they feel, undermines the whole purpose of this bloc (O'Neill cited in Naidoo, 2012). The South

African government is torn-up with a faction within the ruling African National Congress (ANC) and the South African Communist Party (SACP), a large socialist party in the country, often found in defence and striving to persuade hostile local, international bodies and observers about the country's place within this grouping claiming its might as a gateway into Africa. Another faction within the ruling party stands with the opposition parties, the trade federation union (COSATU) and white and black liberal establishments in expressing their non-support of South Africa's inclusion into BRICs (Gumede, 2013). The negative perceptions concerning this "much talked about" inclusion and the myriad of opinions amongst prominent leaders or individuals, the same parties have the potential of hurting the country's growth strategy by driving away inward foreign investment and perhaps create a discourse amongst member countries.

The task is not to predict or compare South Africa to other BRICs member states as many researchers have already undertaken such work. This treatise seeks to organise the vast amount of perspectives through the application of relevant futures methods; create an understanding and appreciation of various ways of thinking concerning this issue; create a space for the articulation of alternative future scenarios for South Africa concerning its economic progress and its future position within BRICs and the world.

### **1.2.2 Research Question**

Trade blocs integrate countries in order to enhance their economic strengths within the global economy. The most apparent motivation for the formation of such trade blocs is mainly for member countries of the same to bloc to increase their

competitiveness and economic welfare (Wang, 2010). The economic welfare of member countries in turn depends largely on productivity and income distribution amongst individual nations (Balassa, 1961). The economic case for integration is embedded on the fact that enhanced and free trade is a positive sums game in which all participating countries benefit (Hill, 2011). Politically, integration amongst individual nations offers a sense of international cohesiveness and understanding, which reduces the chances of conflict to the benefit of its member states.

The BRICS economic case raises questions regarding its conceptual basis, objectives and futures. The BRICS economies are hard to contrast, as they are culturally, economically and politically diverse. The degree of diversity coupled with marked differences in per capita income and equality of income distribution complicates basic neoliberal assumptions concerning this grouping. This treatise aims to address the following questions:

- **What is the motivation behind the integration of the BRICs economies?**
- **Should South Africa be a BRICs member?**

### **1.2.3 Research Aim**

The aim of this treatise is to uncover the actual reasons behind South Africa's inclusion into the BRICS group of countries. Economic motivations for its inclusion are discredited by many researchers and do not provide a convincing justification for such action. The task is to challenge the existing assumptions, ideologies and structural issues concerning the formation of the BRICS alliance, thereby creating a platform to open up various other factors that might explain this inclusion.



This treatise will challenge perceptions and beliefs underpinning the birth and evolution of BRICS, its perceived short and long-term agenda, what common and unique benefits it offers its member states and how South Africa fits into the picture. It will take into consideration factors such as global historical imperatives, national competitive advantage, the effects of the global crisis on countries, South Africa's inclusion and trade cooperation.

#### **1.2.4 Research Methodology**

This treatise, based on an extensive review of literature, encompasses an in-depth study through consulting various academic, business and public sources in order to unveil the discourse that exists in relation to this area of study. BRICS continues to draw academic, media and business interest. The world is flooded by a plethora of views from all ends on what ought to be the 'reality, direction and future' of the BRICS economies. The synthesis of the massive wealth of information and perceptions conducted through the application of Causal Layered Analysis (CLA), a futures theory and methodology made popular by Sohail Inayatullah. As a method of research, it provides depth and is preferred for this study as it combines all the three dimensions of research, the predictive, interpretive and critical elements (Inayatullah, 2004). It gives room for the conception of futures alternatives. The research method chosen for this treatise is employed to view the BRICS phenomena through multiple levels, to challenge the status quo of the body of information available and unveil hidden meanings, ideologies, structures, myths and metaphors.

### **1.3 LAYOUT OF THE STUDY**

This research treatise is structured in a manner that organises data and all key aspects to be discussed in various chapters as detailed below:

Chapter 2 unveils Inayatullah's (2004) CLA, a foresight technique that goes beyond conventional framing of issues through capturing and integrating different perspectives that often challenge for the development of futures alternatives.

Chapter 3 deals with an in-depth literature review that captures the different perspectives of the BRICS trading bloc as outlined in various published material both locally and internationally. This chapter outlines the global and local perspectives whilst also laying the critical theories of international trade and cooperation that guide the formation of trade blocs.

Chapter 4 will, through the application of CLA, explore the future of the BRICS alliance and strive to unpack the inclusion of South Africa into the BRICs group of countries.

Chapter 5 will summarise the findings of the previous chapter as well as provide practical recommendations to be considered regarding the future of South Africa as a BRICS member country.

### **1.4 MOTIVATION FOR UNDERTAKING THE RESEARCH**

The shifting world order has caught the interest of many researchers in business and academia. As an extension to the current body of information that is available within the academic space, this treatise is a comprehensive study of the BRICS emerging economies, their objectives and futures. Critical questions remain unanswered concerning the inclusion of South Africa into BRIC. Given the diversity of the BRICS'

member states, what common interests motivated these economies to club together? It is only once the motivations for the formation of BRICS have been discovered that conclusions can be made about whether or not South Africa qualifies as a strategic fit into this grouping. What are the benefits derived by member countries from this federation? What is South Africa hoping to gain out of its membership within BRICs? Did South Africa need to become a BRICs member in order to increase economic cooperation with the bloc's member states? Is BRICs an economic, trade and/or a geopolitical federation?

This treatise seeks to advance understanding and examine the dynamics and implications of the emergence of these new powerhouses and South Africa's role in it. It attempts to investigate the futures of the BRICS's bloc using the CLA that will enable the articulation of different patterns or scenarios of futures to emerge whilst also offering recommendations that can be undertaken to attain the desired futures. Global policy makers are amongst the parties that are to benefit from this study in that the outcomes of this study will challenge them to consider certain issues about the realities and futures of BRICS. The outcomes of this study will also benefit the global business environment which will also gain as the outcomes of this study might influence crucial business strategies on trade in domestic and foreign markets.

## **1.5 RESEARCH PROTOCOL**

The main phases of this research paper are outlined below:

- Chapter 2 : Research methodology - Causal layered analysis
- Chapter 3 : Literature review
- Chapter 4 : Application of Causal Layered Analysis

- Chapter 5 : Summary and recommendations

## **1.6 CONCLUSION**

The emergence of the BRICs alliance in 2006 caused a stir in emotions and perceptions from leading economists. This ‘unlikely’ occurrence took place five years after O’Neill had raised the alarm to the traditional powerful economies stating that these emerging economies should not be ignored, but increasingly involved on global economic and policy forums. The combined output (measured in GDP terms) of these emerging economies has risen to challenge the combined output of the developed countries with China and India leading the pack. They have a strong presence in the development initiatives of the low-income countries.

In 2010, an unexpected incident occurred when South Africa was formally invited to join this group of countries, thereby extending the acronym to BRICS. This event drew a lot of attention and remains a topic of debate amongst the business and economic circles. The question that resonates with many is “why South Africa?” as economic motivations do not seem to hold ground. The next chapter outlines the research methodology that will be employed to study the BRICS concept.

## CHAPTER 2: RESEARCH METHODOLOGY

### 2.1 INTRODUCTION

The future is open and unpredictable. Futures studies, which has gained significant popularity in the 21<sup>st</sup> century, facilitate the development and application of collective foresight and is necessary to critique past practise, institutionalise foresight and reconceptualise cultural and political assumptions in order to steer towards a desired future (Slaughter, 2002). Foresight techniques such as trend analysis, forecasting, scenarios, visioning give an understanding of futures (Slaughter, 2002) allowing for certain developmental variables to be placed in dependent relationships with time. However, the rate and the depth at which the world around us changes makes time as a variable inadequate to explain the underlying concepts driving the dynamic environment we live in. That is to say, forecasting future events is not adequate in the modern dynamic world; but rather unveiling meanings behind the observed changes.

Futures study allows us to envision the future and create transformative knowledge (Inayatullah, 2004) concerning the paths we follow, thereby enabling us the opportunity to evolve towards the outcomes we desire for the future. In a visual presentation transcribed on TED-talks, a corpus that redistributes the original conference presentations, Inayatullah (2013) asserts: "if one want a different future, one must change the way he/she measures it". "Foresight techniques serve an important function in that they paint an image of what is expected to occur in the future. Their most apparent limitation is that they fail to investigate issues below the litany or the obvious.

In this chapter we explore the futures studies discipline with causal layered analysis (CLA), a critical futures theory and methodology that focuses on depth, also viewed as a resource with multiple applications because of its unique integrated way of solving problems. CLA will be applied as a research technique in Chapter 4 to unveil, through the process of extensive literature review, the concepts underlying the BRICS phenomenon, the legitimacy of South Africa's membership in this alliance and to explore the alternative futures for the BRICS economies.

## **2.2 THE FUTURES STUDIES DISCIPLINE**

Humans, as the dominant species on the planet have a natural inclination to endeavour to understand the future. This propensity dates far back into human history through the practises of prophets, traditional healers (sangomas) and fortune tellers, whose primary function has been associated with predicting the future. Successful prediction of what the future holds allows for the creation of transformative knowledge and is acknowledged to convey a sense of control and power over future events; that is, it allows for preparation and planning for what might happen (Slaughter, 2002).

Futurists believe the present time is not an abstract state of being but a reality of the past and the future: in part a figment of the decisions made today (Bell, 2003). In order to understand the present, futurists advocate firstly for the investigation of the impact and role of the past in shaping the present world (Slaughter, 2002). Secondly, the process of decoding perceptions and assumptions through an in-depth analysis of how we define the present through and across the different levels of knowing; that is, what are individual, organisational and cultural worldviews or ways of knowing (Slaughter, 2002).

Inayatullah (2013) cites, in a Ted ex presentation, Milojević (2013) whom defines the future as: "...not an empty space but like the past, it's an active aspect of the present." This description portrays the future as a space that can be manipulated in order to derive a desired future through cognitive strategy formulation theories, targeted action plans, knowledge management practises and an understanding of the consequences for different actions. Futures studies can be defined as a research discipline that seeks to understand futures (Slaughter, 2002).

It enables its scholars, and anyone who chooses to employ it as research methodology in investigating social and business issues, the ability to come to grips with forces and factors that are responsible for change, become more aware of the probable futures directions, identify preferred directions/outcomes and to work towards the attainment of desired futures (Slaughter, 2002). Future studies, based on building knowledge capacity through an imbedded learning mechanism, facilitate greater understanding of how issues survive and evolve over time (Slaughter, 2002). The pillars that underpin such an understanding are macro-history, anticipation, alternatives, and ways of knowing and transformative knowledge (Slaughter, 2002). Macro-history advocates for the accumulation of an understanding of history and how it relates to the present with the aim of building some understanding on the shape the future might take. It allows for the study of discontinuities that might be expected in the future drawing from past occurrences. Anticipation, on the other hand, builds understanding from macro-history through forecasting that is not limited to projections against historical trends but that also involves information from environmental scanning that explores new emerging trends and discontinuities. Transformative knowledge touches on issues such as ethical knowledge and values;

for example, how our decisions today balance with the consequences that will be endured by future generations. Ways of knowing challenges our mental framework and how we choose to see the world; that is, the perceptions of individuals, groups, corporates, government and social groups concerning common issues.

In critical futures studies there are two approaches that explore different ways of knowing, causal layered analysis (CLA), made popular by Sohail Inayatullah and Wilber's four quadrants developed by Ken Wilber (Slaughter, 2002). These approaches to 'ways of knowing' are less concerned with predictions, forecasting or scenarios. They take an integral inward worldview as opposed to foresight techniques such as trend analysis, forecasting and visioning which take on an external view (Slaughter, 2002). CLA is a futures method concerned with renegotiating meanings and is used to critically analyse the past and present, thereby opening up space for the articulation of different alternative futures (Inayatullah, 2004). It has a unique way of viewing problems through exposure of layers of position from the most obvious to the deeper and hidden perspectives thereby expanding the solutions space. Wilber's four quadrants, developed by Ken Wilber are essentially a quadrant model of development with which human activity, existence and consciousness can be scrutinised in order to gain greater insight of what might be expected in the future. CLA has been chosen for this treatise as a methodology with which we attempt to unpack the dynamics surrounding the formation, validity and futures of the BRICS economies.

### **2.3 EXPLORING CAUSAL LAYERED ANALYSIS**

As mentioned before, CLA was made popular by Professor Sohail Inayatullah as an alternative and a well-organised future-orientated theory and methodology to longer



lasting change. As opposed to finding localised solutions to problems, CLA questions the variables and the extent to which they limit efficiency through a concept widely known as double loop learning (Inayatullah, 2004). Argyis (1977) describes double loop learning as the ability to uncover errors and unpleasant “theories of action”, resulting from faulty practises and procedures allowing for the development of longer lasting change.

At its most basic level CLA acknowledges that there are many ways of knowing, paradigms, practices and methodologies used to solicit knowledge and creates a platform to integrate different perceptions and assumptions (Slaughter, 2002). It is a future orientated theory that endeavours to integrate the empiricist, interpretative, action and critical modes of learning (Inayatullah, 2004). CLA has far reaching benefits as it allows for the questioning of underlying variables across different levels, thereby allowing for the development longer lasting solutions.

As a method, CLA allows for the categorising of different narratives about the future opening up space for the creation of alternative and inclusive futures at different levels of consciousness (Inayatullah, 2004). The primary objective of this method is not to predict the future (Inayatullah, 2004), but rather to champion a cognitive change taking into consideration the different perspectives captured at the different levels of CLA.

CLA moves up, down and across different levels of knowing creating a platform to verify solutions at different levels. It has the ability to transcend language and cultural barriers allowing people from different backgrounds to come together (Slaughter, 2002). The world today is a dynamic space and the rate of change required to survive is enormous. Failure to change may easily lead to a situation described by

Inayatullah (2013) as the 'use future theory'. Inayatullah describes the 'use future theory' as a state wherein humans faithfully follow on a path that leads to destruction and that fails to make the kind of positive change needed for positive development. According to Inayatullah, the 'use future theory' is exacerbated by tradition, culture and ignorance. CLA allows us the opportunity to question such a phenomenon by analysing the way we do things, thereby allowing us to create the future we want to live in by doing something today.

The future is an asset, a resource that can be used to our advantage (Inayatullah, 2013). CLA acknowledges that the change we want to see in the world concerning multiple societal problems is heterogeneous and cannot be reliant on the actions of a single stakeholder. Thus requires collaboration between multiple stakeholders. This therefore creates a challenge to go beyond conventional framing of issues, integrating multiple stakeholders and synthesis and analysis of discourses. It allows for the input of many perspectives studied through multiple levels, thereby allowing for well thought mapping of the scenarios outlining different outcomes.

#### **2.4 CLA AS A RESEARCH THEORY**

CLA combines different research traditions. It advocates for the analysis that goes below the tip of the iceberg (what is visible to the human eye), addressing issues at the bottom of the sea that are often bypassed by other research traditions which merely skim the surface (Inayatullah, 2004). As opposed to CLA, most traditional research theories strive to find solutions within the governing frameworks or variables without necessarily increasing the learning profile from carrying out those tasks, a concept defined by Argyris (1977) as 'single loop learning'. Single loop learning is likened to a thermostat which sends signals when an error occurs in order

to ensure symptoms are treated turning a blind eye to the underlying root problems that give rise to the visible symptoms. CLA treats the symptoms and the cause through a comprehensive analysis of the possible root causes in order to develop foresight and strategies to mitigate risks and create the future we want to see (Inayatullah, 2004). It makes different conclusions about the real truth and nature of the universe (Inayatullah, 2004). CLA places great importance on depth and according to Inayatullah (2004) is derived from five concepts namely:

- Deconstruction: the unpacking of the instrumental and most unquestionable view of reality often at the litany level.
- Genealogy: the study of how certain discourses, ideologies and worldviews evolve to become dominant.
- Distance: the intentional movement away from strength; that is, moving away from the supremacy of the litany and systemic levels of reality and investigating deeper levels of reality.
- Alternative: the act of analysing past and present discourses, discontinuities, ideologies in order to pave way for the creation of alternative futures.
- Re-ordering knowledge: the act of challenging ourselves to explore things we don't know by consciously choosing to move away from our comfort zones.

As a theory, CLA leads to the development of comprehensive strategies and sustainable policy actions as it allows for the inclusion of different ways of knowing and is also informed by analyses from different levels. Through its ability to sort many different perceptions of realities whilst remaining sensitive to horizontal and vertical spaces, CLA allows us to explore alternative futures and opens up space for

the articulation of different discourses. It consists of four levels of analysis; the litany, the social or systemic, the worldview and the myth or metaphor level; which can be expounded as follows (Inayatullah, 2004):

- The litany- this level captures the often presented views which are often accepted as they are. These are the most obvious and visible scenarios requiring very little analytical scrutiny. They are often instrumental, exaggerated problems, quantitative trends presented through legitimate sources such as the media and research councils.
- The social/ systemic level - this level of analysis is usually articulated by policy institutes, newspapers and some business reports. At this level systems are challenged; that is, the role of government, policy for designing for the green economy, GDP as a measure of economic worth of nations and so on. Systemic and social changes if done well, can change culture and behaviour.
- The discourse / worldview – this level is concerned with unveiling the deeper social, linguistic and cultural processes across different groups of humanity. It looks into how different ideologies or worldviews constitute an issue and how such discourses are used to understand or frame the issues in society. This level attempts to capture fundamental differences at multiple levels such as:
  - Stakeholder level – measures what the different interests, ideologies and deeply held convictions of various stakeholders, institutions, and organisations are in relation to a particular variable.
  - Worldview – how different dominant groups or cultures; that is, Western, Islamic, Confucian cultures, view or perceive realities.

- Epistemic – the trends of ordering knowledge; that is, cyclical, spiral or pendulum.
- The metaphor and myth level- this level turns to the deep stories, collective archetypes and the unconscious and often emotive dimensions of the problem. The language used in this level is often less specific and more concerned with evoking visual images and touching the heart. It is for this reason that this level often appears farfetched to people who are engineered and used to working with conclusive data. However, when using CLA, all levels are real. This level deals with the deeper assumptions about the future and captures the difference through some right-brain method; that is, poem, tale or image.

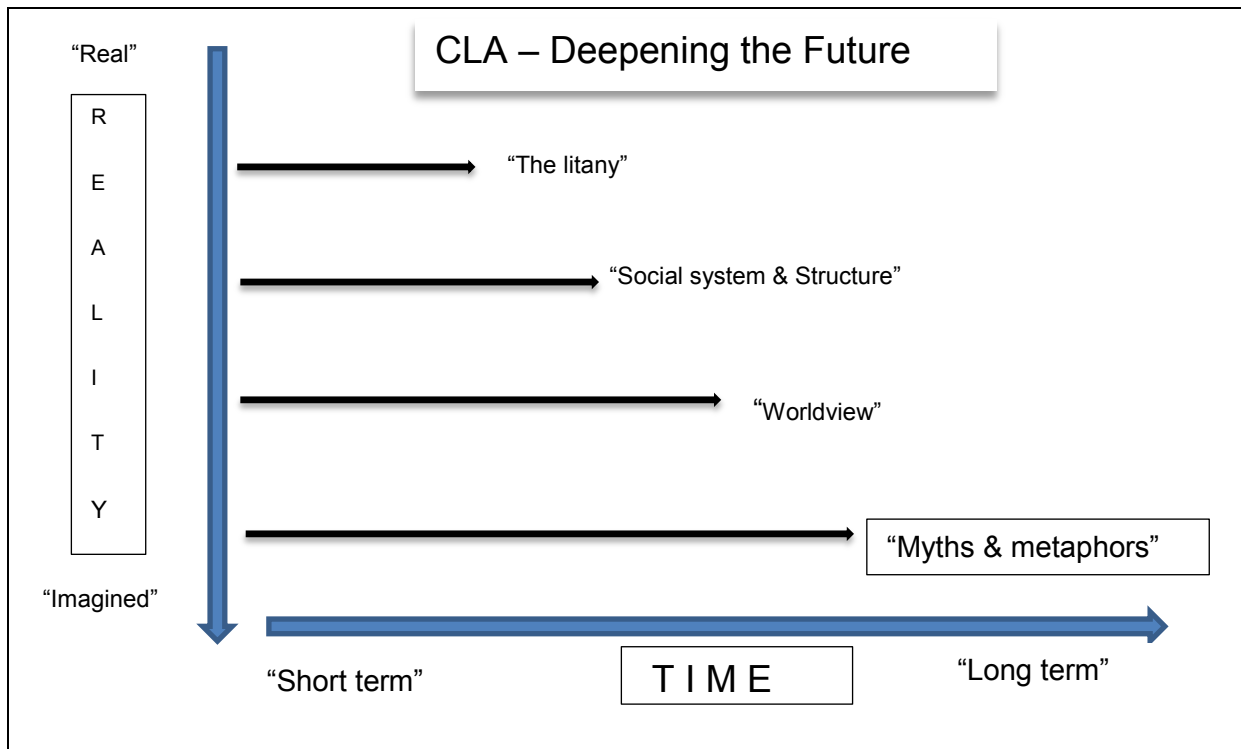
In theory, CLA is not about predicting the future. It simply champions cognitive thinking taking into consideration the different perspectives at different layers resulting in the creation of alternatives that if implemented correctly would lead to the future we desire (Inayattullah, 2004). The main point in thinking about the future is to change it– to make it better than it would be without deliberate choices and actions. CLA gives us the opportunities to make wise and informed decisions regarding our future and has in recent years gained popularity amongst business and academia.

## **2.5 CLA AS A RESEARCH METHODOLOGY**

As a method, “CLA differs from other research and forecasting methods in that it moves beyond the superficial by unpacking discourse, archetypes and metaphors” (Slaughter, 2002). CLA challenges us to go beyond the conventional forecasting and framing of issues by moving up and down the different layers enabling us to integrate

synthesis, analysis and discourses. CLA combines different research traditions with its focus on interpretation and unpacking the meanings we give to data (Inayatullah, 2004).

A crucial aspect that is observable with CLA is that different stakeholders solve problems across the different levels of the method (Inayatullah, 2013). At the litany level, which often captures the often presented views in society, governments and corporations play an important role in problem solving at this level. Partnerships between different groups become key role players in tackling systemic and social issues. As we move deeper into the discourse level which concerns finding deeper social, linguistic and cultural issues, the people and voluntary organisation take centre stage in paving the way forward. At the myth or metaphor level, leadership comes from social icons such as artists, philanthropists and iconic personas.



**Figure 2.1: Causal layered analysis (CLA). Source: Sohail Inayatullah (2013)**

Figure 2.1 above demonstrates yet another important aspect of CLA which asserts that the intensity of change required dictates which level to arbitrate (Inayatullah, 2013). If you desire short term change, you change the litany. Longer term change will require change in the social or systemic level, even deeper is the change of worldview and the longest term change will need change of the rewrite the narrative (myths and metaphors).

## **2.6 MOTIVATION FOR CHOOSING CLA**

CLA research methodology is chosen for its unique ability to capture and sort out different perspectives allowing for processing of multiple views. The 'BRICS' phenomenon has, within a short space of time, attracted a lot of researchers and writers who have been actively sharing their views concerning the discovery and birth of BRICS within the international academic and business space. With its

characteristics, less concerned with predicting the future of the BRICS economies, CLA allows for the capturing and articulation of constitutive discourse, raising multiple questions that guide the formulation of various-factor encompassing solutions which will be presented as recommendations at the end of this study. Inayatullah (2004) states the manner in which questions are constructed guides the synthesis of solutions that address those problems. Using CLA to capture the various views that make the inclusion of South Africa as problematic, this treatise creates a space for analysing the merits of those perspectives.

## **2.7 CONCLUSION**

Critical futures studies resources such as CLA provide a framework for the analysis of problems and perspectives thereby allowing for the expansion of the solution space (Bell, 2003; Slaughter, 2002; Inayatullah, 2004). It also has the ability to absorb different perspectives, transcend language and cultural barriers. The next chapter will explore the vast amount of information pertaining the BRICS grouping through a process of literature review, studying the concepts that surround its formation and its evolution. It will outline all relevant pieces of information deemed crucial to the existence and nature of relations amongst member states of this alliance.



## CHAPTER 3: LITERATURE REVIEW

### 3.1 INTRODUCTION

O'Neill, a Goldman Sachs economist, in an attempt to demonstrate the important role of emerging economies in global economics, initially coined the BRIC acronym in 2001. In his renowned economic paper entitled "Building Better Global Economic BRICs", O'Neill (2001) pointed out how the emerging economies could no longer be ignored and the increased relevance for their inclusion amongst the international powerhouse forums such as the Group of Seven (G7) economies to contribute in global economic policy and development strategies (Morazán, Knocke, Knoblauch & Schafer, 2012). The acronym 'BRIC' represents the four major economies as Brazil, Russia, India and China. These economies are acknowledged by many authors as the driving forces behind positive change in the global economy (O'Neill, 2001, Grant Thornton, 2012; Wilson & Purushothaman, 2003; O'Neill, Wilson, Roopa, Purushothaman & Stupnyska, 2005). South Africa was only invited to join the group in 2010, therefore extending the acronym to BRICS in recognition of the 'S' addition into the bloc (Morazán et al., 2012). This new addition into the BRICs economic bloc made a lot of controversy and met a lot of scrutiny from many economists including O'Neill who proclaimed such action as peculiar (Grant Thornton, 2012).

O'Neill's initial predictions in 2001 outlined a nearby future, as early as 2014 leading to 2050, wherein the four powerful emerging economies (Brazil, Russia, India and China) would become global economic powerhouses thereby exerting pressure on old traditional super power nations such as the G7 economies (O'Neill, 2001; Dubbelman, 2011 & Grant Thornton, 2012). His studies signified the undeniable

need for change in the composition and structure of the international economic and political cooperation forums as they were, towards forms that are representative of the new global economic power distribution realities (O'Neill, 2001). They painted a startling picture indicative of a major economic power shift wherein the BRICs economies become an important source of new global spending in a not so far away future (Wilson & Purushothaman, 2003).

The rising significance of these emerging economies alarmed many for their inclusion in optimal policymaking platforms alongside the G7 economies (O'Neill, Wilson, Purushothaman & Stupnytska, 2005). The G7 is a forum formulated in 1975 of finance ministers and central bank leaders from Canada, France, Germany, Italy, Japan, United Kingdom (UK) and United States of America (USA). These leaders engage in forum discussions on economic policies and resolving financial issues with an objective of machining areas of compatibility in order to drive economic advancement in these economies (Baker, 2008). In recent years, the G7 has served only as more of an information-gathering platform and not so much as a forum that sought to influence world events and markets (O'Neill, 2001).

### **3.2 THE BRICS EMERGING ECONOMIES**

The BRIC economies, acknowledged as key role players in world economy, are significant producers of goods and services, receivers of foreign direct investment (FDI) and possess large potential consumer markets given their relatively large populations (Vlad *et al.*, 2011). The large internal markets in these developing economies are largely untapped in many respects, an investors dream, and offer developmental and growth potential. Their current accounts appear healthy

indicating the savings supply and their share as a preferred destination for global FDI continues to rise (O'Neill *et al.*, 2005). With China and India leading the pack, these economies, previously considered as developing economies of the third world, are rising to challenge the combined output of the developed countries (Vlad, Hurduzeu, Josan & Vlasceanu, 2011). On a PPP basis, China is the second largest economy in the world, four times bigger than Italy and India is the fourth largest economy (O'Neill, 2001). Russia was the country O'Neill was most uncertain about when coining the acronym in 2001 in respect of its economic outlook (Cooper 2006 cited in Mozaran, 2012). However, due to its high education standards, growing investment and stable macroeconomic policy, Russia's economic development prospects have proven competitive. This country has a population in excess of 14 million with a GDP comparable to that of Brazil in PPP terms (Morazán *et al.*, 2012).

The BRICS concept received a lot of negative criticism with some asserting that it was too speculative and based on forecasts demonstrating a 'perfect' model for economic growth (Brütsch & Papa, 2013). It was only after the major global financial crisis that took place in 2008/9 that BRICs economies gained more prominence that challenged these negative speculations as these economies emerged healthier in comparison to the western counterparts who were badly hit (Alessandrini & Batuo, 2010). The adverse effects of the global crisis on the economic performances of the US and other western powers tilted the scales in favour of some of the emerging countries such as China, India and Brazil.

BRICs contribution to global economic growth was estimated roughly to be 28 percent in US dollar terms in the period between 2000 and 2005 (O'Neill *et al.*, 2005). Acknowledged as important in terms of financial developments, the BRICS

economies are reportedly holders of 30 percent of world reserves with China as the dominant contributor (Morazán *et al.*, 2012). However, the distribution of the of currency reserves amongst member countries is greatly unequal, with China holding approximately \$3,2 trillion foreign exchange reserves, three times bigger than those of the other four BRICS members combined (Gumede, 2013). This creates an imbalance in power distribution within this grouping in favour of China because of its bigger pocket.

The three factors underlying the importance of BRICs in global developmental cooperation is the size of these economies; the growth rates that have given them superiority in world economies; and their demand for inclusion in key global political and economic decisions leveraging from their enhanced economic standing (Morazán *et al.*, 2012). However, Gumede (2013) argues that in addition to the aforementioned, BRICS countries face a dilemma, as they are not only allies but also competitors of the same market, goods and political influence.

Some analysts interpret the emergence of BRICS as a political strategy to challenge and counterbalance the global Western dominance (Leas-Arcas 2008). The BRIC economies however are not opposing the Western economies but are opting for cooperation in multilateral economic and political institutions thereby undermining this view (Morazán *et al.*, 2012).

Affirming the BRICS cooperation is their common attendance at their annual summit and progressive initiatives to improve trade relations amongst member countries (Morazán *et al.*, 2012). This grouping of major emerging economies finds institutional expression through these annual summits and talks are underway regarding the

creation of a BRICS development bank that will expand the influence of these nations over global affairs (Carmody, 2013).

The BRICs economies seek to take a stand on issues of global development politics (Morazán *et al.*, 2012). O' Neill (2001) first introduced a concept for consideration by the western traditional powers (G7), that would seek not only the inclusion of some of the BRIC economies, India and China, but perhaps the exclusion of some current member states or extending the group's membership to a G9. He proposed that for the G7 forum to maintain its prestigious image as a platform for worldwide economic policy coordination, the US, Germany, Japan, France and the UK would be joined by China and India instead of Canada and Italy (O'Neill, 2001). O'Neill (2001) highlights the fact that China, as the second largest economy in PPP terms, is four times larger than Italy, a country considered amongst the most powerful economies, hence its G7 membership. The insignificance of Canada as a member of the G7 is evident in that various researchers such as O'Neill often refer to the G6 to the exclusion of Canada.

Would China and India want to join the G7 or G9 as proposed by O'Neill (2001)? To say the least, the inclusion of these economies would be a daunting task. China and India are very different economically, socially and politically from their western counterparts. China could refuse to heed that invitation for reasons such as its socialist economic model, which conflict with that of the western nations (O'Neill, 2001). Looking at other BRICS economies, Russia could be interested in joining this grouping as they are somewhat considered a part of it through their attendance of the Annual Heads of States Summit hosted by the G7 (O'Neill, 2001). O'Neill (2001) states that Brazil could possibly consider such an invitation given its strong social relationships with Europe and the US. India is viewed as possibly the least eager to

join such a grouping as they do not like to be tied down; as such, India would reject the obligations that come with such membership (O'Neill, 2001). There are no records as to whether or not South Africa would heed or reject such an invitation.

The BRICS grouping collectively differs from its western counterparts on a number of factors. Firstly, the BRICS grouping brings together nations that differ enormously culturally, economically and geopolitically. Brazil, India and South Africa are democratic countries pursuing developments that were part of the IBSA trading bloc, which is the predecessor of BRICS (Gumede, 2013). China and Russia are non-democracies with China pursuing a developmental model not based on democracy. Russia has a democratic constitution and electoral system but is actively pursuing an 'authoritarian' or 'managed democratic' system (Gumede, 2013). Secondly, the BRICS countries do not follow the donor-recipient relationship popular amongst western investors. Cooperation with them institutes a mutually beneficial principle based on non-interference on political affairs and internal affairs (Morazán, 2012). This notion is contrary to the traditional investment stunts that underscore western traditional investments. Thirdly and most controversially, the BRICS countries are not only allies but also potential competitors for markets, goods and political influence. This great controversy therefore challenges the member states to overcome the dilemma of being allies as well as competitors for the success of this alliance (Gumede, 2013).

Overall, the three factors underlying the importance of BRICs in global developmental cooperation is the size of these economies, the growth rates that have given them superiority in world economies and their demand for inclusion in

key global political and economic decisions leveraging from their enhanced economic standing (Morazán *et al.*, 2012).

### **3.3 ANALYSIS OF THE BRICS EMERGING ECONOMIES COUNTRIES**

#### **3.3.1 The BRICS nations in the global economy**

A frequently asked question is, 'why these countries?' Is it because of O'Neill's predictions that these countries decided to form an alliance? Is the formation of this alliance biased to the agenda of some member states or geared towards world domination or both?

An encouraging commonality amongst the BRICS economies is that they are all, except for South Africa, ranked in the top half for the rankings of developing countries; they also play a crucial role in global financial developments (O'Neill *et al.*, 2005). Another theme amongst this grouping is centred on their size and the forecasted growth path for these emerging economies, based on scientifically sound long-term projection of output contrasted against global economic performance (Wilson & Purushothaman, 2003). Interestingly, the BRICS nations are also influential and hold enormous power in their respective regions that is Africa, East and South Asia, Latin America, Eastern Europe and Caucasus (Carmody, 2013). Regional powers relate to global influence and the BRICS nations are leveraging from their local influence in their regions to enhance their global influence (Carmody, 2013).

These emerging economies account for above 40 percent of the total global population, 30 percent of world land area, almost a quarter of the world global economy and collectively have more billionaires than Europe (Carmody, 2013). All

the BRICS countries are classified as medium under the United Nations Human Development Index, although burdened by high levels of inequality, mostly pronounced in South Africa and Brazil (Carmody, 2013).

BRICS countries have different development profiles with only a number of similarities on certain variables. Besides the aforementioned and their mutual animosities, the BRICS economies do not have much in common (Brütsch & Papa, 2013). They are vastly diverse with respect to culture, governance and geopolitical standing. The diverse nature of these nations makes it difficult for them to agree on issues pertaining to certain political and developmental strategies (Gumede, 2013). This partnership is further distinguished by the geographical location or dislocation of its member states as the formation of most trade blocs is amongst neighbouring countries or along continental lines (Wei & Frankel, 1998).

Concerning the creation of the 'BRIC' acronym, literature is quite clear in recording the remarkable work of the reputable retired Goldman Sachs economist, Jim O'Neill, who forecasted the major shift in world economic power. Some researchers interpret the latter formation of the BRICs federation or trade bloc in 2006 as a political strategy to challenge and counterbalance the global Western dominance (Leas-Arcas, 2008). Some argue that the formation of the trading bloc was motivated by their need to enhance their political weight in the world. Driven by the experience of national humiliation through colonialism in the past, some of the BRICS member states are amongst the developing nations who actively seek recognition in the international world system governance (Gumede, 2013). Brütsch & Papa (2013) state the large BRICS' potential to use their coalition strategically to address issues of international concern. According to Gumede (2013), the BRICS partnership offers



a geopolitical ally that allows its members to collectively push for restructuring of global trade, institutions and governance in order to enhance the benefits derived by developing countries, which are often left on the wayside of global key decisions. These emerging economies certainly have an exceptional presence; they have asserted themselves in the world economy as significant manufacturers of goods and services and receivers of capital with large untapped potential consumer markets (Vlad *et al.*, 2011).

The traditional factors underlying the importance of BRICs in global developmental cooperation is the size of these economies, the growth rates that gave them superiority in world economies and thus the demand for inclusion in key political and economic decisions leveraging from their enhanced economic standing (Morazán *et al.*, 2012).

### **3.3.2 Futures of the BRICS economies**

The BRICs economies are indeed moving to the fore as new engines for the much needed world economic growth at a time wherein the growth rates of the traditionally advanced or developed economies seem to be slowing down (Wilson & Purushothaman, 2003). China, the second largest economy, has the world's largest population and a high degree of global economic integration. It has however in recent years slowed down on its GDP growth pace of 12,59 percent (measured in PPP terms) in 2000 to 10,45 percent in 2011. The United States, as the leading economy has also shown a decline in its reported GDP in PPP terms. This could in part be attributed to the 2008/9 financial crisis, which swept across the globe leaving many nations in total despair (Gumede, 2013). India, ranked fourth (O'Neill,

Purushothaman & Stupnytska, 2005) in GDP (PPP terms), has not reported a plausible performance in the past decade as it has moved down five positions and was ranked the ninth largest economy in 2011. Brazil, previously ranked ninth (O'Neill, Purushothaman & Stupnytska, 2005), has performed enormously well. Given India's decline along the ranks of economic size, Brazil has moved to the sixth position overtaking Italy and the United Kingdom and thus India as well. Table three below, outlines and ranks the size of GDP for the thirty top performing economies. Russia has maintained its position, as projected by O'Neill (2001), as the tenth largest economy in the world. South Africa, ranked twenty-third, is the only member of this bloc outside the top ten performing economies. South Africa's economy was comparable if not identical to that of Brazil in 1992, but despite its potential, it remains very unlikely to be as large, as important or reach the size of any of the BRIC economies (O'Neill *et al.*, 2005). Brazil has overtaken the UK to the sixth position in 2011 even though it has fallen short in attaining the initial projected growth rates. There is a clear indication that more still needs to be done in order to unlock this country's potential and substantial structural reforms are necessary turn Brazil's obstacles into sources of success.

**Table 3.1: Gross Domestic Product of the top thirty economies in the world (adapted.)**

<i>Ranking</i>	<i>Economy</i>	<i>Millions of US dollars</i>	<i>Share of world total (percent)</i>
1	<i>United states</i>	14,991,300	21.41
2	<i>China</i>	7,318,499	10.45
3	<i>Japan</i>	5,867,154	8.38
4	<i>Germany</i>	3,600,833	5.14
5	<i>France</i>	2,773,032	3.96
6	<i>Brazil</i>	2,476,652	3.54
7	<i>United Kingdom</i>	2,445,408	3.49
8	<i>Italy</i>	2,193,971	3.13
9	<i>India</i>	1,872,840	2.67
10	<i>Russian Federation</i>	1,857,770	2.65
11	<i>Canada</i>	1,736,051	2.48
12	<i>Spain</i>	1,476,882	2.11

13	Australia	1,379,382	1.97
14	Mexico	1,153,343	1.65
15	Korea, Rep.	1,116,247	1.59
16	Indonesia	846,832	1.21
17	Netherlands	836,074	1.19
18	Turkey	774,983	1.11
19	Switzerland	659,308	0.94
20	Saudi Arabia	576,824	0.82
21	Sweden	539,682	0.77
22	Poland	514,496	0.73
23	Belgium	513,661	0.73
24	Norway	485,803	0.69
25	Argentina	446,044	0.64
26	Austria	417,656	0.60
27	South Africa	408,237	0.58
28	Emirates	360,245	0.51
29	Thailand	345,672	0.49
30	Denmark	333,616	0.48
	World	70,200,432	100

Source Internet World Stats

By 2025, the BRICs economies are projected to account for over half of the G7 economies (O'Neill, 2001). Of the G7, only the US and Japan are predicted to be amongst the top six economies in the world. The importance of the developing countries also calls for their inclusion in optimal policymaking platforms. (O'Neill *et al.*, 2005). In their 2005 paper entitled 'How solid are the BRICs?' O'Neill (*et al.*, 2005) project that the BRICs economies could be larger than the G7 by 2039. Wilson and Purushothaman (2003) clearly tie the terms of attaining such optimistic projections to the ability of the BRICS economies to pursue sound policies that will turn the dream into reality (Wilson & Purushothaman, 2003). Macroeconomic stability, effective and efficient institutions, openness to trade and education are key factors critical for economic growth (Wilson & Purushothaman, 2003). Another argument for the prospective success of the BRICS bloc lies in the individual member countries' ability to overcome the dilemma of being allies as well as competitors for the same markets, goods and geopolitical influence (Gumede, 2013).

Because China has the largest financial muscle, the sustainability of BRICS also hangs on how China exercises its financial power (Gumede, 2013).

However, amidst the positive projections regarding the growth potential of the BRICS nations, individuals within these countries are still likely to be poorer on average when compared with individuals in the G7 economies in the period leading to 2050 (O'Neill, 2005). Russia is predicted to catch up with the lowest performing members of the G7 economies in terms of income per capita (Wilson & Purushothaman, 2003). By 2030, China's income per capita is projected to be similar to that of Korea.

Employment prospects in the BRICS economies will remain good, although these economies still grapple with the shortage of skilled workers (Grant Thornton, 2012). Of the BRICS economies, India has a lot to do in expanding education (Wilson & Purushothaman, 2003). South Africa grapples with high unemployment backing leading off failing education system that lags behind in producing the right quality and quantities of a skilled labour force.

Enterprises existing within these economies, unlike their western peers, are burdened with a shortage of working capital in that they have less access to long term finance when compared to businesses in the traditionally developed economies that are well supported by their lenders (Grant Thornton, 2012).

There is a public perception regarding the acceptable performance of the BRICS economies in that it is assumed that that they adopt similar economic policies and thus experience similar growth patterns. When contrasted against a number of parameters deemed important for economic development, these economies are diverse with only a few policy similarities. Some authors assert that the diversity of

these economies is downplayed and as such believe that the success of these economies may not necessarily indicate the success of all member states. The view 'that the BRICS dynamic GDP growth is biased by the plausible performance of the Chinese and Indian economies (Vlad *et al.*, 2011) is evident when comparing the current and projected performances of these nations. Table 2 below clearly contrasts the projected growth rates for the BRIC economies over five decades.

**Table 3.1: BRICS's growth projections (adapted).**

<i>Projected US\$GDP Levels (US\$bn)</i>					
	<b>South Africa</b>	<b>Brazil</b>	<b>China</b>	<b>India</b>	<b>Russia</b>
<b>2000</b>	83	762	1078	469	391
<b>2010</b>	147	668	2998	929	847
<b>2020</b>	267	1333	7070	2104	1741
<b>2030</b>	447	2189	14312	4935	2980
<b>2040</b>	739	3740	26439	12367	4467
<b>2050</b>	1174	6074	44453	27803	5870

Source: (Wilson & Purushothaman, 2003.)

South Africa is by far the slowest growing economy amongst the BRICS economies. Its projected economic growth at 3.5 percent for the next four decades and the effects of AIDS on its population resulting in a shrinking population are amongst major deterrents behind the slow growth of this economy (Wilson & Purushothaman, 2003). South Africa, with its economy of about US \$527,5bn (Dubbelman, 2011) is

not ranked amongst the top performing or promising economies in GDP terms although it compares relatively well on measures such as GDP per capita. To the envy of many countries, South Africa is the only African country that invests as much as 5.4 percent of its GDP on education and yet ranked amongst the most underperforming countries in producing skilled workers (Jansen, 2009 cited in Mbeki, 2011). South Africa still has a lot to prove as it does not measure up in terms of trade and its economic performance remain significantly less than that of the other BRICS member states.

Over the next four to five decades, Brazil's projected growth rate is set to average 3.6 percent and its economic output is speculated to overtake that of Italy by 2025, France by 2031, UK and Germany by 2036 (Wilson & Purushothaman, 2003).

### **3.3.3 Demographic profiles of the BRICS economies**

The BRICs economies have large populations, which also present large internal or domestic markets, significant land mass and the potential to influence global economics and politics (Vlad *et al.*, 2011). Table 3 below illustrates the sizes of the population distribution amongst the top ten most populated economies as at end June 2012 and projected population sizes in 2050.

**Table 2.3: Projected population growth in the top ten densely populated countries in the world.**

#	Country	2000	2010	2012	2050 (expected)
1	China	1,268,853,362	1,330,141,295	1,343,239,923	1,303,723,332
2	India	1,004,124,224	1,173,108,018	1,205,703,612	1,656,553,632
3	United States	282,338,631	310,232,863	313,847,465	439,010,253
4	Indonesia	213,829,469	242,968,342	248,645,008	313,020,847
5	Brazil	176,319,621	201,103,330	193,946,886	260,692,493
6	Pakistan	146,404,914	184,404,791	190,291,129	276,428,758
7	Nigeria	123,178,818	152,217,341	170,123,740	264,262,405
8	Bangladesh	130,406,594	156,118,464	161,083,804	233,587,279
9	Russia	146,709,971	139,390,205	142,517,670	109,187,353
10	Japan	126,729,223	126,804,443	127,368,088	93,673,826
	<b>Top Ten Countries</b>	<b>3,618,894,827,</b>	<b>4,016,489,082</b>	<b>4,096,137,325</b>	<b>4,950,140,178</b>

Notes: 1. Demographic estimates for years 2000, 2010, 2012 and 2050 are based mainly on mid-year data from the US Census Bureau website. Source Internet World Stats. Copyright © 2001 - 2013, Miniwatts Marketing Group.

China and India as the most populated economies present massive and attractive demographics ideal to drive economic prosperity (O'Neill, Purushothaman & Stupnytska, 2005). Russia, ranked ninth with a population in excess of 142 million people, is tainted with a burden of its shrinking population estimated to amount to 23 percent of its total population in 2012 by 2050. South Africa with its population estimated around 50 million and population trends and its projected and current productivity levels are far from matching its BRICs counterparts (Cronje, 2010; O'Neill, Purushothaman & Stupnytska, 2005; Brüttsch & Papa, 2013).

Even though directly responsible for the high increase in world demand, the buying power of consumers from the BRICS emerging economies is still estimated to remain much lower than those of the consumers in the first world countries (Batson, Solovieva, Bellman, 2008 cited in Alessandrini & Batuo, 2010). Although the BRICS member states are classified as 'medium' human development under the United Nations Human Development Index, they battle with high levels on inequality which are especially pronounced in South Africa and Brazil (Carmody, 2013) The following section takes a much detailed look on the BRICS member states.

### **3.3.4 Synopsis of the BRICS member states.**

#### **3.3.4.1 Brazil**

Brazil, a mixed economy based on a combination of private and state capitalism, is distinguished from other mixed economies and one of the most successful emerging economies within Latin America. In the late twentieth and early twenty first century, Brazil's economy performed remarkably well and was amongst the fastest growing economies with large amounts of inward investment in the 1950s (O'Neill, 2013). Its growth momentum, tainted by inflation and highly centralised political leadership (O'Neill, 2013), disappointed many who had predicted Brazil to be biggest economies in the world.

However, Brazil turned the corner and reversed its destructive path, undoing its economic and political strategies by embracing alternative political reforms, and through aggressive policy reforms that led to the vibrant economic growth witnessed today (O'Neill, 2013). Brazil is the largest exporter of agricultural products versus all its BRICS partners, followed by China, India, Russia and South Africa (Sandrey,



2013: 12). Brazil's economy was characterised by high interest rates and a non-ideal tax structure, which together increased the prices of goods and services exacerbating enormous economic disparities evident in its high-income inequality (Lucintel, 2012). However, Brazil is addressing these factors particularly pertaining to the large social inequality that faces this economy; through active public policy, it has made remarkably positive strides to address and reduce the high levels of inequality.

This economy has evolved from being traditionally reliant on the export of a number of primary products to a more diverse industrial sector (Baer, 2008). It is the fourth largest manufacturer of aircrafts (Baer, 2008), a competitive agricultural sector and the biggest stakeholder of the regional organisation of Mercusor (Argentina, Brazil, Paraguay, Uruguay and Venezuela), generating about 80 percent of Mercusor's GDP in 2005 (Morazán *et al.*, 2012). It remains the largest exporter of agricultural goods amongst the BRICS economies (Baer, 2008; Morazán *et al.*, 2012). Brazilian assets are in demand and investors, ranging from global private equity investors, are battling to acquire them; the world has come to appreciate the prospects that surround this transformed economy, once burdened by high inflation (O'Neill, 2013).

When compared to other BRICs economies, Brazil is still less open to trade, with China's tradable goods estimated to be eight times greater than those of Brazil (Wilson & Purushothaman, 2003). Its government has to embark on aggressive strategies that will incentivise its companies to explore international opportunities. Its rate of investment and savings are lower at 18-19 percent of GDP when compared to an investment rate of 36 percent in China and an Asian average of around 30 percent (Wilson & Purushothaman, 2003). Brazil seeks to enhance its economic interests through its regional engagements and foreign direct investments in

infrastructure development and the mining sector. Brazil's major investments are in infrastructure, energy and the raw materials sector (Grant Thornton, 2012).

The Brazilian democratic government is stable with strong reform policies that contribute directly towards creating an economic climate that encourages inward FDI in sectors such as energy, automotive retail and construction (O'Neill, *et al.* 2005). Brazil's population distribution is concentrated along the coastal landscape and still battles with large inequalities with the distribution of income concentrated amongst certain population groups and geographical regions (Baer, 2008). On a political level, Brazil aspires to have a seat on the UN Security Council (John de Sousa 2010 cited in Mozaran *et al.*, 2012) and uses partnership to lobby. The Brazilian democratic government still has a lot to do in order to improve its education system, quality of health care and increase the use of technology (O'Neill, 2013).

#### 3.3.4.2 Russia

Russia's first elections, held in 1989, signified the fall of communism resulting in a radical change in both its politics and economy (Tulinen, 2007). In 1990, Russia's economy went into a deep depression that was followed by the global financial crises in 1998 and only started to recover in the period between 1999 and 2000. Russia's inheritance from the previous regime included: 1) the negative effects in economic output as more than a quarter of its output was spent on military and defence sectors with no direct returns on the economic output; 2) the non-diversified Russian economy which linked directly with the competence of its workforce and the distribution of national resources including human capital; 3) inheriting a non-functional system of social security which proved to be impossible to sustain and 4)

an under skilled and uneducated workforce which rejected the 'new market economy' (Graystone, 2008). Given its inheritance from the previous regime and the effects of the cold war, Russia spent an enormous amount of time rebuilding its economy following the shock it underwent in 1990 (Graystone, 2008).

Following the coining of the 'BRICs' acronym, O'Neill (2013) narrates in his book, titled 'The Growth Map', how he was inundated with questions about and requests to eliminate the 'R' in the acronym. The reasons that informed such requests were largely driven by perceptions concerning Russia's unfavourable dependency on energy and raw materials, demographics and poor governance (O'Neill, 2013). Admittedly, Russia has low life expectancy resulting in its declining population, a problem that is at the core of this country's leadership. In order to promote challenges associated with declining populations, the Russian government has instituted a 'day of conception' where workers are encouraged to leave work and go and have 'sex'; those who conceive and give birth on the 12<sup>th</sup> of June the following year are incentivised (O'Neill, 2013). This strategy was aimed at achieving the country's goal, instituted in 2011, of increasing birth rates by 30 percent by 2015 (O'Neill, 2013). Whilst a rich resource base such as energy mineral resources is viewed as a blessing, the negative consequences are that many countries often become lazy to diversify their economies and depend largely on these naturally occurring endowments (O'Neill, 2013).

Whilst to date a democratic country, some key institutions in Russia, still lack democratic perspectives (Hill, 2004 cited in Tulinen, 2007). Russia is not so much a developing economy but more of a transitional economy or a re-emerging economy with growing efforts in the development arena (Morazán *et.al*, 2012). Energy

sources, such as oil, gas minerals and other materials of low processing, make up two thirds of Russia's exports (Grant Thornton, 2012; Morazán *et al.*, 2012). Russia has an underdeveloped agricultural sector, exporting only an insignificant proportion compared to imports, thereby making this country a net importer of agricultural products (Sandrey, 2013). Because of falling energy prices in 2009, Russia's economic structure, which is highly reliant on energy sources' exports, caused a major contraction in this state. Its economy is still manufacturing intensive with a services sector that is not well developed (O'Neill, 2001). Russia has been actively engaging in strategies of opening up its economy towards market economy (Tulinen, 2007) with plans to develop the services industry.

It has a strong centrally guided education system with very high standards for maths and science, a well-developed communications sector (telephones, computers and internet); its weaknesses are, as mentioned before, low life expectancy, corruption and political instability.

### **3.3.4.3 INDIA**

O'Neill (2013: 57) asserts that, "*India has the most favourable demographics in the world*". With a population of around 1.2 billion, estimated to reach 1.7 billion in 2050, with far more young people than China, would make its labour force equal to the combined labour force of the United States and China in the next 20-30 years (O'Neill, 2013). India held its first constitutional elections in 1952 and in 1980, under the leadership of Rajiv Gandhi, and relaxed its foreign trade policies immediately thereafter (India on-line, 2013). The Indian government focuses on education, specifically science and technology, which has led to the remarkable improvement of

the telecommunications industry consisting of a solid software development and information technology arms (India on-line, 2013). India is prophesized through multiple economic forums and studies to have a 'bright future', its growth perceived to increase beyond the next four decades. Its strengths lie in its favourable demographics, its low total factor productivity that creates a scope for productivity improvements based on catch-up, its productivity enhancing reforms such as technology adoption deficiency and its underrated strength of quality institutions (Rodrik & Subramanian, 2004).

India's per capita income has since the 1980's more than doubled rising from 1,7 percent (1950-1980) to 3.8 percent (1980 – 2000) (Rodrick & Subramanian, 2004). Some analysts attribute this positive outlook on India's decline in interest rates (Lall, 2003) whilst some infer the benefits associated to favourable demographics (O'Neill *et al*, 2005). Rodrick and Subramanian (2004) argue that neither the decline in interest rates nor favourable demographics can provide sustained higher growth rates of productivity or output per capita. India is predicted to potentially grow at a faster rate over the next three to five decades at a rate in excess of 5 percent per annum. According to O'Neill (cited in Wilson & Purushothaman, 2003), India's economy could surpass that of Japan by 2032 and has the potential to raise its income per capita in 2050 to 35 times what it was in 2003. Whilst there is speculated growth in Brazil, China and Russia, India's growth rate is projected to remain above 5 percent for the next 50 years. India battles with inflation, with its central bank having raised interest rates within a two-year period, to try to mitigate rises in consumer prices (Grant Thornton, 2012). The burden of corruption, inflation and the

non-openness to FDI are threats to India's growth prospects (Rodrick and Subramanian, 2004)

India is also notably challenged with asserting itself as a political heavyweight in the global arena and to mitigate this, India has been enhancing its global image by supporting low-income countries worldwide (Morazán *et al.*, 2012).

#### **3.3.4.4 CHINA**

China, as the third largest importer after the USA and the European Union, has risen to be an important source of growth for the world economy (IMF, 2004). China's political structure is based on the communist one-party leadership. As a nation, China has undergone major economic and political reforms, which included opening up the economy and building a so-called "socialism with Chinese flavour" system, which has proven to be successful (Tisdell, 2009). Since 1949, when China followed a policy of socialist economic development which was entirely based on authoritarian allocation of resources, this country has overhauled this 'unsustainable' model through gradual and incremental reforms that were based on a trial and error methodology (Prasad, 2004). This was achieved firstly, through 'pilot and experimental' reforms, which were initially contained in small hubs and if perceived to be working well, spread over the whole country. Secondly, in the interest of preserving economic stability, Special Economic Zones (SEZ) were used as a way of experimenting with inward foreign direct investment and new imported technologies in order to smooth transition. Lastly, Prasad (2008) states that the Chinese deliberately held on to their socialist principles amidst taking on some market-orientated reforms.

China, as the second largest economy, possesses the world's largest internal market, a high degree of openness (70 percent of exports and imports as a proportion of GDP) and a leading destination for inward FDI (Yueh, 2013). China is predicted, due to its large population and thus large labour force and high investment rates, to become the world's largest economy by 2041 thus also larger than the US by 2039 (Wilson & Purushothaman, 2003). With a population of 1.33 billion people, this state has made dramatic strides to develop its agricultural sector and is currently producing a quarter of the world's agricultural output by value (Sandrey, 2013).

China's real GDP growth has averaged 9 percent over the past from 1979 to 2005 (Yueh, 2013). In the absence of China, BRICS is perceived to be a powerless bloc (Morazán, 2012). This is because China, as the second largest economy in world GDP terms and the fastest growing economy with between 8-12 percent growth rates, seen as the biggest and most profound influence amongst the BRICS economies with regard to international development cooperation. China's importance in the global economy is remarkable given its significant role in global trade. It is also viewed as an important economy within the Asian regional economy (Rumbaugh, Blancher, 2008). The US views China's ascendance as a threat to world peace and is in constant watch of developments involving China with the objective of hedging its powers (Curtis, 2008). In an attempt to complicate the US plans, China is increasing its influence over the Asian region by collaborating with its old adversary, India, through platforms such as BRICS that enhance trade and investment ties between these nations (Curtis, 2008). The major threats to this pursued relationship between India and China include the US's discomfort with the rise of the west, commodity scarcity and border tensions (Curtis, 2008).

The Chinese banking system is dominated by state owned banks that act as the main source of financing for enterprises (IMF, 2004). Geographically China's development and foreign aid goes to Africa (46 percent) and neighbouring Asia (33 percent) whilst 13 percent of Chinese aid goes to Latin America (Walz & Ramachadran, 2011 cited in Morazán *et.al*, 2012). Overall, China has good potential as a result of its large internal markets, attractiveness to FDI, high domestic savings rate and the abundant supply of cheap labour (IMF, 2004) Chinese FDI is more diversified both regionally and sectorally with mass investments made in resource rich countries such as Zambia, Nigeria and South Africa (Walz & Ramachadran, 2011 cited in Morazán *et.al*, 2012). A distinguishing factor concerning China is that, unlike the West, the Chinese government is less prescriptive about the economic policies its 'partner states' adopt as long as they remain open to Chinese trade and investment (Shinn & Eisenham cited in Carmody, 2013).

China's scale and nature of growth is the most impressive (Carmody, 2013); it also has the world's largest domestic market, also making it world's largest consumers of certain commodities. It fuels its economy leveraging from this large domestic market, fuelling its export economy and urbanization of its citizens (O'Neill, 2011). China is currently Africa's largest trading partner. Also, the successes of the Asian economies such as China, can be attributed to manufacturing for exports, overall sound policy framework, stable government that render these economies attractive to investors (Sandrey, 2013).



### **3.3.4.5 SOUTH AFRICA**

South Africa is an ancient economy, the largest economy in sub-Saharan Africa; it is also an infant economy particularly with the removal of economic sanctions and capital controls that were elicited by the previous apartheid regime abolished in 1994 (Carmody, 2013) and its new democratic governance system. Its democratically elected government gives it relative political stability and a relatively good investment climate (Morazán *et al.*, 2012). It has a constitution applauded, especially by western standards, as fair and indicative of its democratic reforms. This economy has an average growth rate of 3.5 percent whilst projected to possess the potential to achieve a 5 percent growth rate over the next decade provided the right policies essential for sound economic growth are in place (Wilson & Purushothaman, 2003).

The South African economy is projected to remain significantly smaller when compared to other BRICs economies into 2050 even though its income per capita is highly competitive and is comparable to some of the best performing developing economies (O'Neill *et al.*, 2005). With its population of about 50 million people, South Africa accounts for over a third of the SADC population with its economy accounting for over 80 percent of this region's economy (Adebajo, 2007 cited in Carmody, 2013). It is the third largest sender of FDI to the underdeveloped states in Africa after China and India (Carmody, 2013).

The man who originally studied and projected the wealth of nations, Jim O'Neill, is amongst the large of researchers who feel strongly that South Africa is the only BRICS member that does not meet the criteria to be part of this grouping. The South African GDP is only a third of Russia and Brazil's GDP and a fraction of China's and India's GDP (Morazán *et.al*, 2012). However, trade as a percentage of GDP in South

Africa is actually the highest as an indication of openness in an economy amongst the BRICS economies (Sandrey, 2013).

This economy is burdened by declining population growth rates, the negative impacts of the HIV/AIDS endemic, non-efficient education and health systems, and high rate of unemployment (Mbeki, 2011). South Africa has to create sustainable levels of economic growth, employment and improvements in the standards of living. Carmody (2013), O'Neill (2013) and Gumede (2013) highlight the important power this country has, as the strongest regional power because of its economy, the power of its state and the nature of capital-state interactions within the African continent. South Africa (SA) is ranked amongst the leading economies in Africa and is the only African country with a G20 seat (Morazán *et al.*, 2012). It regards the African market as strategically important (Sandrey, 2013) but O'Neill (2012) reportedly states that South Africa is seriously being displaced and losing market share in comparison to all its BRICS alliance member states in all African markets. Having been invited into BRICS following extensive lobbying stunts by its leadership, China is allegedly South Africa's backer for this prestigious position (Fin24, 2010). There is a concern that its inclusion might, in due course, lead other member states to invite their friends to join in, swelling the BRICS membership to irrelevance.

### **3.3.5 Strengths and weaknesses of the BRICS alliance**

The BRICS economies are culturally, economically and politically diverse. They use different governance systems with Brazil, India and South Africa following democratic reforms, Russia, with its democratic constitution, pursuing authoritarian rule and China a declared non-democracy (Gumede, 2013). Favourable features that

are worth highlighting concerning the BRICS nations as outlined in the first publication by O'Neill (2001) are 1) China's large population and enormous strides in growing its economy made it an obvious inclusion 2) India's demographics and the population's conversancy in English that puts them in a good position to explore the benefits of globalisation through media such as the internet 3) Brazil, with its large population and the strides made by its democratic government to implement inflation targeting and strategies aimed at improving the country's fiscal health, proved to be the biggest and boldest inclusion.

O'Neill, Wilson, Purushothaman and Stupnyska (2005) developed the growth environmental score (GES) to assess the overall environment in each of the BRICS economies with the exception of South Africa which had not been a member state of the BRICs grouping at the time of this exercise. The tool assessed the positions of these economies against variables essential for economic growth. According to Robert Barro (1996), the factors that tend to enhance a country's chances for economic growth include the level of education, health profile of its population, low government consumption, the rule of law, controlled inflation and efforts to improve terms of trade. These factors are critical to ensure macroeconomic stability, which is critical in defining the country's investment climate. Table 4 below outlines the results of this study outlining the strengths and weaknesses of these emerging economies to measure.

**Table 3.4: Summary of the strengths and weaknesses of the BRICS member states.**

<b>Economy</b>	<b>Strengths</b>	<b>Weaknesses</b>
Brazil	<ul style="list-style-type: none"> <li>- Political stability</li> <li>- High life expectancy</li> <li>- High technology adoption</li> </ul>	<ul style="list-style-type: none"> <li>- Low education levels</li> <li>- Low openness to international trade</li> </ul>
Russia	<ul style="list-style-type: none"> <li>- High education levels</li> <li>- Fiscal position</li> <li>- External debt</li> <li>- Openness to trade</li> <li>- High technology adoption</li> <li>- High life expectancy</li> </ul>	<ul style="list-style-type: none"> <li>- Political instability</li> <li>- Corruption</li> <li>- Investment</li> <li>- Inflation</li> </ul>
India	<ul style="list-style-type: none"> <li>- Rule of law</li> <li>- External debt</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation</li> <li>- Low levels of education</li> <li>- Low technology adoption</li> <li>- Fiscal position</li> <li>- Openness to trade</li> <li>- Corruption</li> </ul>
China	<ul style="list-style-type: none"> <li>- Macro stability</li> <li>- Investment</li> <li>- Openness to trade</li> <li>- Human capital</li> </ul>	<ul style="list-style-type: none"> <li>- Technology adoption still low (PCs)</li> <li>- High corruption</li> </ul>

Source: O'Neill 2001 (adapted).

The GES tool measures the countries on a 0-10 scale (poor to perfect conditions), creating an overall score based on hard evidence. Brazil scored very well in terms of political stability, life expectancy and technology adoption. This economy proved to be challenged by poor levels of education, low levels of openness to trade and large government deficits. Brazil boasts abundant natural resources, diversified economies and favourable labour cost.

Education, fiscal position, external debt, technology adoption, health profile and openness to trade were recorded as ideal for Russia's development aspirations. This country is however burdened by political instability, corruption, low investments rates

and inflation. Russia is also known for its wealth of natural resources; for example energy and a skilled labour force.

India scores relatively well on measures such as rule of law, external debt and inflation and evidently poorly on education, technology adoption and openness to trade. However, Indian private companies are the state's key assets, especially those specialising in information technology, pharmaceuticals and outsourcing.

China's strengths are macro stability, levels of investment, openness to trade and human capital whilst it still battles with the negative factors derived from high levels of corruption. The Chinese manufacturing expertise, trade, foreign financial investment and its highly diversified economy are the world's envy.

South Africa, although not assessed using the GES tool, is known for its large stock of natural resources, its stable democracy, its influence over Africa as the largest economy in the continent and its vibrant private sector (including its financial sector) (Gumede, 2013).

### **3.3.6 Staying on the projected path**

As the future is never conclusive, for the BRIC economies to actualize on the projected path, they must adopt progressive economic policies and develop economic institutions supportive of this growth (Vlad *et al.*, 2011). Otherwise, the BRICS dream will risk being remembered as a geopolitical fad (Brütsch & Papa, 2013). Wilson and Purushothaman (2003) outline the key factors critical for the BRICs economic growth as summarised below:

- Macro stability – a stable macro environment can encourages savings and investment as it guarantees price stability, thereby controlling inflation.

- Institutions – efficiently run institutions ensure maximum output of all resource inputs. Institutions in this regard refer to the legal systems, optimal markets, health and education systems, financial institutions and government beaurocracy.
- Openness – openness to trade and FDI can provide access to imported inputs, new technology and larger markets. Investments and savings are viewed as fuels of economic growth and in a closed economy; benefits that come with foreign investments are foregone rendering domestic savings as the only source of investments. In an open economy, these savings are augmented by foreign investment, which essentially represents borrowing from savings of other countries.
- Education – education is essential to generate a skilled workforce to support the growing demand as the economy grows.

Each of the BRICS economies has been through their periods of macroeconomic instability (Wilson & Purushothaman, 2003). Openness amongst the BRICS economies varies with India and Brazil still relatively closed on many measures (Wilson & Purushothaman, 2003). Brazil's tradable goods were recorded to be an eighth of China's by 2003 (Wilson & Purushothaman, 2003). Russia's non-diversified economy and dependency on natural resources such as oil and gas, which still make up two thirds of their total exports, could possibly harm this economy (Grant Thornton, 2012). India grapples with issues of high inflation, non-openness to foreign direct investments (FDI) and the burden of corruption, which threaten the prosperity of this economy (Grant Thornton, 2012). In addition to these factors, the BRICS alliance must overcome being partners whilst also competitors to the same markets

if they are to actualise and become global economic powerhouses of the near future (Gumede, 2013).

### **3.4 Measuring nation's economic progress**

A number of factors drive the economic progress or growth of a country. Purushothaman and Wilson (2003) highlight the following factors that set the stage for economic growth:

- Macroeconomic stability;
- Institutional capacity;
- Openness to trade and
- Education.

O'Neill (2013) adds 'the power of productivity' to the argument stating that more people working productively make it easier for an economy to grow. He asserts that developing countries usually have some catching up to do which presents a growth opportunity that can be explored through enhancing productivity; that is through the adoption of technology, in an attempt to catch up with the developed nations. Factors such as growth in employment and technical progress tie in closely with productivity; they depend largely on the working age and skills level (education) of the population.

The growth environmental score (GES) captures other macroeconomic and microeconomic variables that aid nations' economic growth to include factors such as level of inflation, government deficit, investment spending, external debt, rule of

law, corruption and stability of growth. The supreme tool that captures nations' economic performances is the Gross Domestic Product (GDP) that is explored in detail in the next section.

### **3.4.1 Gross domestic product (GDP)**

Over the past seventy years, Gross domestic product (GDP) has been the dominant tool used to evaluate national economic progress (Constanza, Hart, Posner and Talberth, 2009). It is a well-accepted measure of socio-economic progress used and popularised through political, business and media speeches and reports across the world. It measures the monetary transactions with regard to the production of goods capturing total domestic consumption, total domestic investment expenditures, government expenditure and net exports. This relationship of variables that sum up a nation's output can be summarised as follows:

$$\text{GDP (Y)} = \text{consumption (C)} + \text{investment (I)} + \text{government spending (G)} + (\text{export (X)} - \text{imports (Z)}).$$

Summarised as:

$$Y = C + I + G + (X - Z)$$

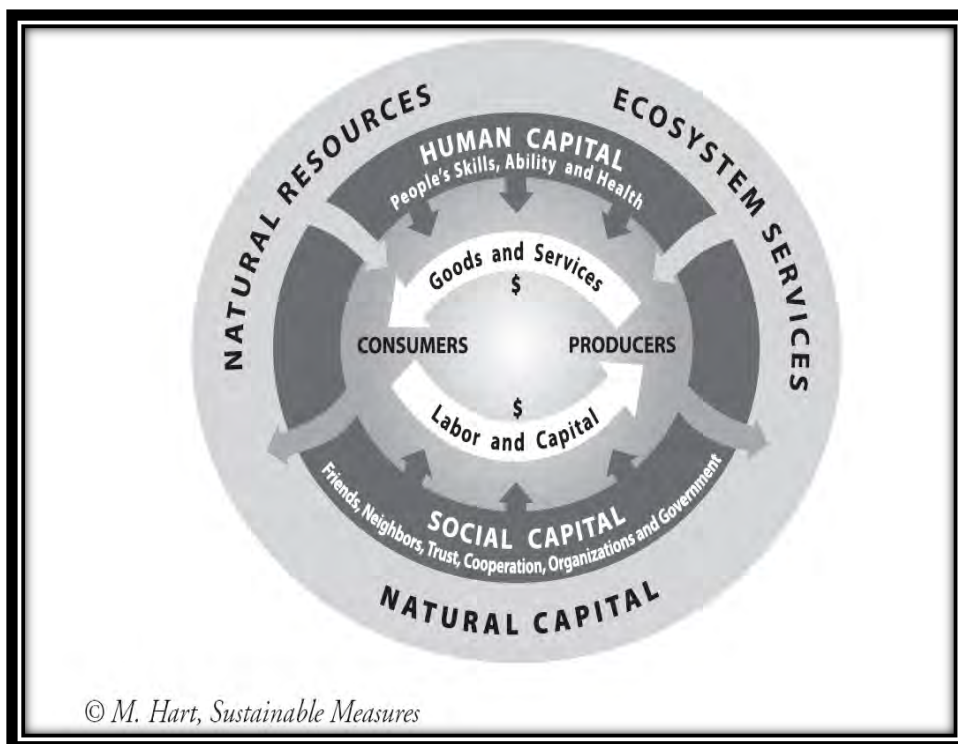
GDP, as a measure of economic well-being, has endured a lot of criticism from renowned economists such as Simon Kuznets (1934, cited in Constanza et al., 2009) as early as the 1930's when it was first formulated. O'Neill states that 'GDP is a headline number which can often conceal many aspects of growth, especially quality'. Various economists assert that GDP should be acknowledged and used only as a technical tool, which measures economic transactions (Warternberg, 2010).



According to Constanza *et al.* (2009), GDP is not inherently bad but its use over matters it was not initially designed for is problematic. The argument these writers make is, firstly, the current use of GDP excludes the value and changes in the natural, social and human components of a society and encourages unsustainable activities; that is, faster depletion of natural resources is acceptable as it contributes to a nation's output. Secondly, they argue that it exacerbates costs associated with income inequality, loss of leisure time and natural capital depletion.

Figure 3.1 below is a typical example of a tool that would ideally attempt and better capture more comprehensively the performance and progression of a nation encapsulating most factors deemed critical for human welfare. This diagrammatic representation shows the market economy often measured through the GDP in the inner part of the diagram co-existing within and benefiting from a larger system.

**Figure 3.1: An alternative view of the market economy as part of a larger system.**



Source: Constanza *et al.*, 2009

Green GDP, genuine savings, ecological footprint, subjective well-being and gross national happiness, are amongst other indexes used to measure certain aspects of the economy and have been proposed to be infused with the GDP tool in order to enhance its usefulness and relevance. This is because, up till now and after all that has been said and done, GDP still remains the tool used to measure nations' economic performance across the globe. O'Neill's predictions and study of the BRICS nations are based and modelled using GDP as a measure economic wealth.

### **3.5 Dynamics of international trade and trade theories**

Globalisation has brought about unique global trends concerning economic integration and the formation of trading partnerships in that today every country belongs to a trade bloc (Wei & Frankel, 1998). The main purpose of trade blocs encompasses ease of trade within certain regions, increase in economic efficiency and increase in competitiveness in productivity (Wang, 2010). The basic characteristic underlying economic integration or the formation of trade blocs is the promotion of free trade among member states (Hill, 2011). Free trade refers to a situation where a nation's government opens up their trade platforms achieved through the collapse of quotas and tariffs in order to allow citizens in one country to buy from other countries or to manufacture and sell in other member states (Hill, 2011). The rationale to international trade is based on the notion that countries should augment their production capacities and abilities with those of other member states whilst driving mutual benefits of enhancing welfare. A typical example is presented in Hill (2011) where the author asserts that it is most impractical for one to expect Iceland to grow its own oranges when instead, through international trade, it

can exchange some of its produce (such as fish and fish products) which it makes with ease and at a low cost, for the oranges grown elsewhere in the world.

Adam Smith, David Ricardo, Heckscher and Ohlin, to name a few, are some of the renowned economists who have contributed immensely to the richness of international trade science. These economists unanimously opposed Mercantilism, the first model of international trade that emerged in the 16th century, which emphasised the importance of a country to maintain a trade surplus; that is to say, export more and import less (Hill, 2011). This policy advocated for governments' interference in order to ensure such trade balances were maintained. Adam Smith was the first economist to argue for free trade and invented the theory of absolute advantage, which emphasised that countries should specialise in the production of goods which it can manufacture at a low cost and import the goods which it cannot manufacture cheaply. An important observation made by Smith concerning international trade was that it enhances technical and organisational innovation, which enhances specialisation and productivity; improves transfer of knowledge and technology between nations, which can drive economic growth and increase the wealth of nations (Hill, 2011).

David Ricardo (Hill, 2011) extended the contributions of Smith as he raised the question, "what happens when a country has an absolute advantage in the production of all goods?" Ricardo emphasised the need for countries to specialise by producing only the goods that it produces most efficiently and import the other goods that it produces less efficiently even though it can produce them. Taking this notion further, the Heckscher-Ohlin theory argued that the nation's comparative advantage is derived from the differences in factor endowments, the extent to which countries

are blessed with land, labour and capital (Hill, 2011). Notwithstanding the important magnitude of work by other economists that contributed to the trade science, this literary survey concludes by looking at the 'new trade theory', which has emerged in recent years. New trade theory is based on the conception that a nation should specialise in the manufacture of certain goods, drive for economies of scale; that is to say, specialise, sell volumes and drive down production costs; whilst sourcing other products which it cannot manufacture more efficiently from other countries that also use the same model of specialisation (Hill, 2011).

An important motivation for the formation of trading agreements is to compete with the outside world (Wang, 2010). Trade blocs integrate countries thereby forging a world where in some countries belonging to the same grouping consider themselves as 'in the club or clique'. Each country, whether in a regional trading bloc or a multilateral structure, strives to gain economically as much as possible (Wang, 2010).

### **3.6 WHY STATES JOIN A TRADING BLOC?**

Wang (2010:) argues that a country's decision to join a trading bloc is never inspired or motivated by some abstract supranational interests but rather by what it stands to gain because of such an association. Most trade blocs are formed amongst neighbouring countries or along continental lines (Wei & Frankel, 1998). Wei & Frankel (1998) assert that trade blocs are more likely to bring positive changes in welfare than otherwise. The ultimate goal of economic integration through the formation of trade agreements is to increase economic welfare, which in turn

depends entirely on the economic effects on productivity and income distribution amongst individuals of a nation (Balassa, 1961).

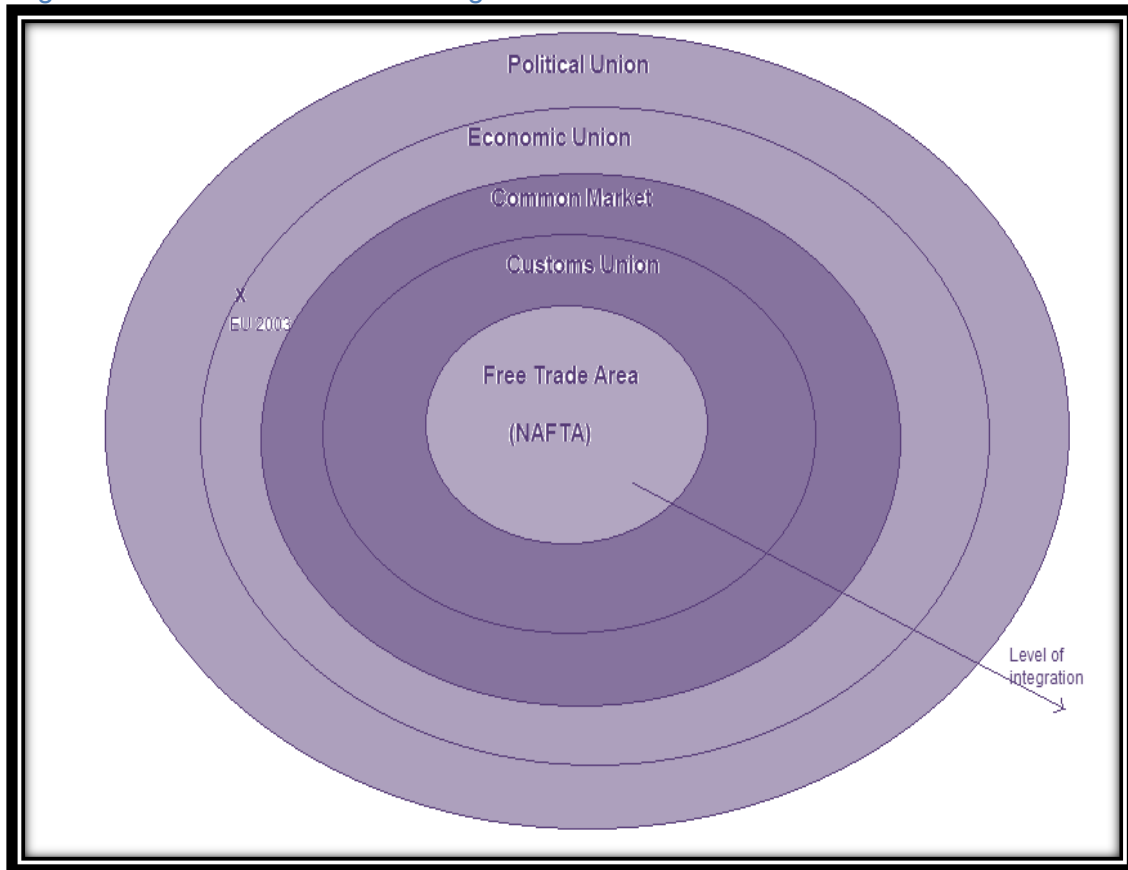
Parties within the same trading bloc are also reportedly less likely to be involved in disputes than other states and the likeliness of such disputes lessens as trade increases between member states in the same bloc (Mainsfield and Pevehouse, 2000). Free trade amongst nations therefore fosters a sense of international cohesiveness and understanding which in turn reduces the chances of conflict. Wilfred Pareto argues that 'customs unions and other forms of trade agreements between nations can be used as means to the improvement of political relations and the maintenance of peace (Mainsfield and Pevehouse, 2000).

### **3.7 Regional integration and trade blocs**

According to Balassa (1961), economic integration is defined as the "process that encompasses measures designed to abolish discrimination between economic units belonging to different national states." The term international integration is interpreted in economic literature to encompass both the social aspect, economic cooperation and an existence of trade relations between two or more economies (Balassa, 1961). The economic case for integration is embedded on the fact that free trade and investment is a positive sum game in which all participating countries benefit (Hill, 2011). Regional integration occurs at different levels as outlined in figure 3.2 below. Integration between adjacent countries that encompasses the removal of artificial barriers that hinder continuous trading between neighbour states (Balassa, 1961) can be also influenced by political objectives. The political case for economic integration is that member states of the same grouping or bloc become dependent

on each other, reducing the possibility of conflict and increasing their political weight in the world (Wang, 2010).

Figure 3.2: Levels of economic integration.



Source: (Hill, 2011).

A free trade area is the simplest form of economic integration, which entails the removal of all barriers such as tariffs, quotas and administrative obstacles that distort free trade amongst member states (Hill, 2011). Balassa (1961) argues that free markets between democratic countries are what constitute economic integration. The customs market moves a step further from the free trade area by not only removing trade barriers but also adding a new dimension that all member states adopt a uniform trading policy towards non-member states. A common market advocates for no barriers, a uniform trading policy towards non-member states and allows factors

of production (that is, labour and capital) to move freely across national borders. In addition to the factors that constitute a common market, an economic union involves the adoption of a single currency, a harmonised tax structure and a common monetary and fiscal policy. A political union involves the adoption of a central political instrument that coordinates the social and economic policies of all member states.

Ballasa (1961) argues for the harmonisation of factors, which require state intervention in order to increase the value of economic integration such as:

- Avoidance of depression
- Maintenance of full employment
- The problems of regional development
- The regulation of cartels and monopolies.

For a trade bloc to still have a positive effect in the welfare of nations, the level of trade between non-member states must be maintained above 15 percent (Wei & Frankel, 1998).

### **3.8 THE BRICS ECONOMIES AND THE GRAPPLE FOR AFRICA'S SPLENDOUR**

Africa is the second largest continent both in area and population and is perhaps the richest in mineral resources in the world (WEF, 2006). The bulk of its resources are exported and used as inputs in the production processes in the developed world (Ginwala, 2001). Although Africa evidently has such resource advantages, its people are amongst the poorest in the world (WEF, 2006). It is estimated that 80 percent and 70 percent of people infected with malaria and HIV/Aids respectively live in Africa with 90 percent of HIV/Aids related deaths occurring within this region

(Ginwala, 2001). Africa has failed to evolve or transform its economy; this is evident in the large reliance of natural factor endowments for economic prosperity. This failure lies in this continent's failure to move their economies forward through diversifying their economies and incorporating a whole lot more value add which will escalate returns and the failure to construct and implement policy framework that will attract inward foreign investment (Sandrey, 2013).

The UN estimates that Africa has over 800 million hectares of unused cultivatable land that could be used for massive food production and trading to tackle food shortages in Africa (Anan, Machel & Camdessus, 2009). This continent presents a lot of potential for development and investment in sectors such as infrastructure, agriculture and communications (Anan, Machel & Camdessus, 2009). Africa's total trading with BRICS alone is estimated around 61 percent (Sandrey, 2013). Although there is an undeniable benefit associated with Africa's trade with the developing countries, concerns are raised with regard to such deals as they can also be viewed as some form of modern colonisation likened to the previous models which sought to extract Africa's natural resource endowments to the disadvantage of its indigenous people (Sandrey, 2013). The major challenge that still faces the African continent is this continent has stagnated and has failed to capitalize on its comparative advantages with the export of manufactured products notably absent with some small activities in the exporting of textiles industry products (Sandrey, 2013). In a 2012 interview with the Mail and Guardian, O'Neill (cited in Naidoo, 2012) revealed that investors are ready to put capital into Africa, they are just held back by perceptions that associate Africa with disappointment. O'Neill (cited Naidoo, 2012) went on to mention that investors want to see political stability, leadership,



governance and efficient investment in education (Naidoo, 2012). In this media article, O'Neill (Naidoo, 2012) shared some advice stating that policymakers from Africa and South Africa need to concentrate their efforts on creating stable governance, eliminating corruption, the justice system and enhancing the education system (Naidoo, 2012). Industrialisation and manufacturing are still very underdeveloped costing many Africans their indigenous prosperity. Amongst the BRICS nations, China is the leading exporter to Africa. The Chinese dominance is actually making it difficult for Africa to stand autonomously and drive its own industrialisation because of its stronghold over South Africa, the largest economy in the continent, and hard to beat manufacturing strength, which creates a barrier for African hopefuls to exploit local markets (Sandrey, 2013).

Africa consists of 53 countries with South Africa, Algeria, Nigeria, and Egypt (so called SANE), the four biggest economies in Africa. They are perceived to be the economies that can take Africa forward by its stimulating economic growth in ways comparable to that of BRIC to the rest of the developing economies (Alessandrini & Batuo, 2010). These economies account for more than half of Africa's GDP, more than half of its exports, total trade, foreign direct investments, foreign reserves, a fifth of its landmass and a third of its population (Alessandrini & Batuo, 2010). Critics of the inclusion of South Africa into the BRICs grouping specifically vouch for Nigeria claiming it is better suited for this prestigious trading partnership.

Nigeria is the most populous country in Africa and seemingly a close comparison to some of the BRICs members (Naidoo, 2012). With a population of 155 million people, three fold higher than South Africa, O'Neill argues that its inclusion would be a logical given the fact that the bloc was seeking an African partner.

Some researches argue that inclusion of South Africa into the bloc appears to be a politically motivated decision rather than an economic one (Dubbelman, 2011). Minister Nkoane-Mashabane, the South African minister of foreign affairs, asserts that it is not size that makes this country attractive for inclusion in this bloc but rather its strategic importance in global affairs, relatively developed economy and democratic governing standards (Dubbelman, 2011). Minister Sergeev Lavrov, a Russian foreign minister, argues that the addition of South Africa into BRICS gives the grouping a 'truly global dimension' (Brütsch & Papa, 2013). South Africa does not compare favourably with the other BRICs members it has justified its inclusion by claiming its position as a gateway into Africa. Jim O'Neill believes that its inclusion South Africa as a small economy into the bloc has weakened the group's power (Naidoo, 2012). He also believes that South Africa is in BRICs for reasons favouring the Chinese agenda (Naidoo, 2012). Trade as a percentage of GDP in South Africa is the highest as an indication of openness in an economy with highest trade with Africa and China is its largest trading partner.

White (2013 cited in Woolfrey, 2013) asserts that China is keen on being invited to the Ibsa grouping and is also after South Africa's backing in global forum. Ibsa, which consists of India, Brazil and South Africa, is a grouping that aims to promote trade relations and cooperation amongst these countries (Dubbelman, 2011). There are perceptions that South Africa's involvement with India and Brazil in the Ibsa acted in its favour in its quest to be part of BRICs (Dubbelman, 2011). Similarly to BRICS, Ibsa emphasizes cooperation on areas such as public administration, science and technology, trade and investment, health and climate change as such Ibsa's importance and relevance are questionable.

### **3.9 CONCLUSION**

Chapter 3 conducted an extensive study of literature touching upon the critical aspects of the BRICS grouping. Firstly, the writings introduced how the concept first came into being and how it has evolved to be such an important aspect of global economics. BRICS economies certainly have an important role in world economies as producers of goods and services, receivers of large investments and large populations that present attractive potential consumer markets.

A thorough analysis of the BRICS economies was conducted including information about why South Africa is constantly disregarded by some economists as a member of this grouping. The futures of these economies, although by a varying margin, certainly look promising. GDP as a measure of economic progress, dynamics of economic integration, and theories of international trade are discussed, as they are crucial and relevant to BRICS.

South Africa presents itself as a gateway into Africa. Africa is perceived as a goldmine by foreign investors because of its rich natural resources. The chapter ends with a discussion on this continent deemed 'a worthy piece of cake' by investors. The next chapter will challenge and evaluate established paradigms, worldviews and mental models through the application of CLA in order to make recommendations about the nature of actions and alternatives needed to create desired futures for the BRICS economies especially concerning South Africa's membership.

## **CHAPTER 4: APPLYING CAUSAL LAYERED ANALYSIS**

### **4.1 INTRODUCTION**

The BRICS nations are enormously diverse in terms of cultural, economic, political and governance systems (Gumede, 2013) so much that their alignment seems like an impossible task. They also vary on measures such as per capita income, equality of income distribution and macro-economic performance. With high levels of poverty and inequality which present economic instability, the BRICS economies are all compelled to produce the necessary level of economic growth in order to avoid domestic catastrophic consequences (O’Neil, 2011; Gumede, 2013).

Because of the immense diversity amongst the BRICS nations and the absence of mechanisms that bind its members in agreements, BRICS represents a hard-to-manage alliance. The BRICS alliance is very unusual with benefits derived also varying amongst member states. One cannot conclusively define the BRICS alliance as a trade, economic or geopolitical alliance and its definition should not be done using exclusive western models. Next we explore what the BRICS agenda is by taking a close look at the possible reasons that informed the formation of this alliance.

### **4.2 WHAT IS THE MOTIVATION FOR THE FORMATION OF BRICS?**

#### **4.2.1 Level 1: The litany**

The following quote from O’Niell is most appropriate in the context of this study:

*“...so I arrived at the point of creating an economic grouping and realised that, by taking the initial capitals of the names of these four nations, I could make an*

*acronym that was particularly apposite, for these four BRICs, with a total population of around 2.8 billion, might indeed be the new 'bricks' from which the modern economy would be built."* O'Neill (2013)

It is common to come across perceptions or misconceptions about the birth of the BRICS alliance that attribute its existence to the now retired Goldman Sachs economist, Jim O'Neill. In his 2002 paper, O'Neil coined the 'catchy' acronym, BRICs, using the initials of member's states, Brazil, India, China and Russia. O'Neill narrates in his 2013 published book, titled, 'The Growth Map', factors that led him to create this acronym as the willingness of these countries to fully embrace globalisation. Globalisation, which is often rejected by many nations due to perceptions that view it as Americanisation, was providing benefits for these nations who chose to embrace it as an economic concept, divorcing all associated political and cultural perceptions (O'Neill; 2013).

In 2006, the 'so called' BRICs nations pronounced intentions to jointly cooperate in partnership and form what is now termed 'the BRICS alliance or BRICS emerging economies or BRICS bloc'. This pronouncement presented a strange concept given the diversity of these nations. Amongst the issues of diversity was the fact that two of these countries follow democratic governance (India and Brazil) and the other two are non-democracies (China and Russia).

O'Neill (2001) presented a neoliberal study outlining the ascendance of the BRICs nations and the associated changing dynamics in global economics wherein the old traditional powers, the G7, were increasingly being displaced by the emerging economies. O'Neill's initial BRIC publication is believed to have fuelled the later formation of the BRIC partnership; however, there is little evidence that

demonstrates the extent of influence that O’Neill’s work had on the actual formation of partnership between these nations. It is this author’s view that O’Neill’s work clearly brought insight to the changing global environment; however, it is not the reason for the existence of this grouping. In fact by his own admission, O’Neill asserts in his 2013 book titled ‘The Growth Map’, that he was also taken aback by the 2006 pronouncement of the formation of the BRICs alliance, stating that besides favourable demographics (markets) and economic growth prospects, these nations have very little to offer each other.

#### **4.2.2 Level 2: social or structural analysis**

O’Neill further commented that:

*“...the original four members of the BRICs group recognized the size and dynamism of their economies and the potential to influence the structure of global governance and began to convene meetings...”* O’Neill (2013)

The birth of the ‘BRICs’ alliance, partly informed by the member states appetite to influence global governance, still remains an odd grouping. From the perspective of an economic liberal its formation could be attributed to the attractive benefits associated with international trade. As a matter of fact, it is common for countries to club together for national economic interest aimed at enhancing competitiveness against the outside world (Wang, 2010). Economic integration, as it is known, between countries entails a cognitive process of abolishing discrimination between economic units belonging to different member states (Balassa, 1961). Economic integration encompasses both the social and economic aspects of development modelled to embrace the principles of globalization, which view international trade

and investment as a positive sums game in which all participating states benefit (Hill, 2011:264). In the case of BRICS, the economic benefit derived by member states extends beyond enhancing interstate trade, but also creates a platform for member states to share innovative ideas for development, sustainable technologies and knowledge sharing of new development strategies (Gumede, 2013). The justification for this alliance from an economic point of view is somewhat inconclusive, especially pertaining to the latter inclusion of South Africa, which from an economic point of view, does not measure up to its alliance partners. The South African GDP is only one sixteenth of the Chinese economy.

In international geopolitics, the rise of these emerging powers is shifting the global distribution of power thereby forcing the traditional powers of the West to come into terms with the reality of sharing power on issues of international political concerns (Vlad *et al.*, 2011). According to Naidoo (2012) the BRICS alliance “...*is not a formal economic or trading bloc like the European Union. It is more like a political talk shop or club that is trying to build greater clout on the global negotiation stage.*” Politics influence integration as it enhances perceptions of dependability on each other, thereby greatly reducing the possibilities of conflict whilst also increasing their political weight on world affairs (Vlad *et al.*, 2011). Carmody (2013) argues that a nation’s extent of political influence depends largely on economic power. This may mean that we are yet to see a whole lot more political presence and influence from some BRICS nations (that is, China and India) on global concerns as they progress along their growth pathways. Thus, if these nations are able to adopt a unique political standing or agreement given the vast amount of political diversity between them, they could be the most influential union the world has seen. The BRICS

economies differ with regard to their adopted political structures with China and Russia (although declared democratic) subscribing to an authoritarian rule whilst the other three partners are democratic nations. These states also differ immensely with respect to cultural and linguistic principles.

Currently, the BRICS alliance serves as an institutional platform that renders opportunity to its member states to collectively express views and areas of common concern, through their annual meetings and potentially through permanent institutions such as the BRICS development bank currently under discussion. This is in light of the changing dynamics with some traditional 'global' institutions particularly the IMF and World Bank being forced to evolve if they are to remain relevant as they are increasingly losing influence in parts of the global 'south' to the rising developing nations such as BRICS (Carmody, 2013).

Albeit there are differences between member states, there are also notable commonalities between these nations, such as the projected positive future growth over the next few decades (except for South Africa), which increases their relevance and power in international affairs and large populations.

The BRICS nations offer an alternative to the western norm for developing economies, particularly African states, offering a choice of developmental partners and thus allowing these developing nations to participate in and play a greater role in their development processes (Carmody, 2013). Such investments come largely from the Chinese government (because of its larger financial pocket) and its foreign investment policy which is less prescriptive about the type of economic policies it expects the host nations to adopt are embraced by the developing economies.



### 4.2.3 Level 3: Worldviews/discourse

With regard to economic size, Armijo (2007) comments that:

*“...if economic size is the sine qua non of state power, then the BRICS are a likely set of new major powers...”*

The BRICS alliance is not an obvious alliance due to the apparent differences as noted before. From an economic liberal point of view which categorically views globalisation by employing assumptions concerning global economy, the BRICS economies share a few economic strategic factors that justify this alliance, though not conclusively. The strength of the BRICS economies is derived from their large and strong domestic demand as a result of the large populations. In markets that are globalised, liberal and competitive, these BRICS economies, also commonly labelled “engines of growth”, present markets that are an attraction to many global conglomerates who are seeking to heighten their economic wellbeing (Wilson & Purushothaman, 2003). These factors are in synergy with the Goldman Sachs study which was largely informed by the sizes of these economies as leverages for enormous economic progress. However, Armijo (2007), due to varying private investor behavior, presents the argument that claims that potency for larger sized economies over property rights or human rights is non-conclusive. Adding to this, O’Neill (2013) also fails to understand the rationale for this club as demographics alone do not warrant an alliance. He categorically mentions that, besides the fact that these nations have large populations and are likely to be dominant influences in the future - China being their only common interest, the other BRICS have nothing to offer each other. The G7 on the other hand have more shared characteristics than the BRICS economies including the fact that the G7 are all developed democratic

economies (O'Neill, 2013). Although O'Neill acknowledges the dissimilarities and perhaps unsubstantiated clubbing of the BRICS nations, he greatly supports their coalition as a means to demonstrate the sometimes inexplicable exploits of the traditional G7 countries that refuse to acknowledge the obvious change in world economics and power dynamics. The alliance of the BRICS economies is thus a great way to demonstrate to the west that 'life goes on'.

The BRICS alliance, whose prosperity is supposedly based on neoclassical assumptions, can also be explained by recognising that interstate and investment trade occurs within an 'international political economy' (Armijo, 2007). Even though international trade is viewed as a mutually beneficial activity for all parties involved, individual countries consider their own interest by asking questions such as "what is in it for me (country)?" For example, India, Russia and Brazil benefit as a result of linkages to the booming Chinese economy but not from each other; South Africa, being the least industrialised state, only benefits from its large resource base and its location in respect of the 'untapped large market' of the African continent (Carmody, 2013). China benefits from its strategic alliance with its four partners on resource economies and markets.

In international politics, sovereign states do not just happily yield to the dominance (trade and political dominance) by others and in order to drive global interstate trade, peace must be established between the participating countries. For example, China is Africa's dominant trading partner notwithstanding South Africa's geopolitical influence over most parts of Africa. Peace relies mainly on the country's perceived benefits of trading with another state. "It is international peace that permits and enables trade, not the reverse" (Armijo, 2007). This phenomenon has led to the

plethora of representations of possible futures concerning the implications of the changing world order for all, a phenomenon to be explored at the next level of CLA, the myth.

#### **4.2.4 Level 4: Myth or metaphor**

Curtis opines as follows:

*“ ..the US, not only pursuing its counterterrorism objectives... seeks to hedge against the rise of China....”* Curtis (2008)

The traditional power countries of the West have taken an interest in the concept of the BRICS and this could be attributed to a ‘fear of the unknown’ (Armijo, 2007). The rise of BRICS with China and Russia, as nations who are moving towards authoritarian non-democratic systems, creates a little uncertainty about what their ascendance will mean to the whole interstate system (Armijo, 2007). The emergence of these economies (BRICS) has resulted in perceptions of China as the ‘new colonialist’. India, also a member state of the BRICS alliance, has also notably made claims that the rise of China is a threat given the size of its nuclear base (Curtis, 2008). The India – China tensions date back as far as 1962, since the Sino-Indian border war, and their alignment within the BRICS alliance is seen as a positive stride towards ensuring peace and cooperation between these Asian giants (Curtis, 2008). Curtis (2008) narrates that the US, made uncomfortable by the seemingly growing relations between India and China, has lured India by extending civil nuclear cooperation to India playing into the mistrustful relations that underscore the India – China coalition. China, on the other hand, is deliberately trying to increase trade relations with India to confuse the ties between India and the US. China and India,

the two major parties in the BRICS alliance, with their resource challenges given their large demographics, are competing for energy, water and land (border issues) and according to Curtis (2008), these commodities may lead to the next world war.

The US and Europe have been closely monitoring the developments around the BRICS alliance, due partly to fears sparked also by the uncertainty of how these non-traditional emerging powers will exercise their rising significance over world issues (Armijo, 2007). There is a belief that the rise of these 'new colonial masters' – the BRICS – will be responsible for the next world war. It is the discomfort with the rise of a non-western nation, challenging the US, as the ultimate powerhouse with its anti-liberal values that has led to theories concerning the outbreak of war. Thus the rise of China and the reemergence of Russia is spiraling worry and concern over prospects of a war as both these nations pose a military threat as a result of their status as 'nuclear' states with large armies (Armijo, 2007).

Adding to this controversy, Brazil, previously with insignificant military might, has been purchasing military weapons at an alarming rate, justifying such acquisitions as necessary for national defense (Empire, 2010). According to the 2006 statistics, the US had the highest world defense spending at 45.7 percent followed by Britain at 5.1 percent, the remaining G5 countries each accounting for two percent, China, Russia, and India at 4.3 percent, 3.0 percent and 2.1 percent respectively (Armijo, 2007). According to this Armijo (2007), the danger of an interstate war occurs when the 'former hegemon is declining and a new one is rising'.

### **4.3 DOES SOUTH AFRICA FIT THE BRICS AGENDA?**

Whether or not South Africa deserves its spot in the BRICS alliance is a matter of debate and is explored in this section. South Africa is a small-sized economy, with a population presenting minute economic growth. Should the narrow argument, which places importance on the size of this economy, its small population and its slow economic progress, be used to disregard the presence of the 'S' in this alliance? In this section we explore the deeper meanings and attitudes concerning South Africa's place in BRICS.

#### **4.3.1 Level 1: the litany**

O' Neill (2013) seems to doubt the merits of S.A.s inclusion into BRICS;

*"The addition of South Africa to the BRICS alliance only adds confusion."*

There are two schools of thought regarding the inclusion of South Africa into the BRICS alliance. One opposes and the other supports the notion of South Africa's inclusion into BRICS. The most dominant perceptions surrounding this issue oppose the inclusion of South Africa into this bloc whilst South Africans seem to be caught up in defensive stunts justifying their position in this prestigious club amongst the world's giant 'emerging economies'. Perhaps it is important to first consider the views of O'Neill, whom is widely acknowledge as the creator of the BRICS acronym.

South Africa is often cited as being too small with an insignificant GDP which is incomparable to the other BRICS members (O'Neill *et al.*,2005; Wilson & Purushothaman, 2003; Sandrey, 2013). In a recent Mail and Guardian article, O'Neill is reportedly still critical of South Africa's position in this bloc stating that its presence has weakened this group (Naidoo, 2012). He continues to ignore the existence of

the 'S' in the acronym emphasising that Nigeria, as the most populous country within the African economy, is a better fit for an African partner into this grouping (O'Neill, 2013). Nigeria is amongst the growth markets that make up the N-11 growth markets grouping of economies, acknowledged as the next major developing economies after the four BRICs nations. He states that South Africa, already losing a lot of its investment to Nigeria who are shining brighter and drawing a lot of investor favour (Naidoo, 2012), has no place in this grouping, neither now or in the near future. O'Neill (2011 cited in Carmody, 2013) also highlights other states such as Indonesia, Turkey and Saudi Arabia that he perceives as a better fit for the BRICS agenda than South Africa.

There are many authors who support the assertions of O'Neill within the international space. Sandrey (2003) declares that, given the measures used to assess nation's membership, South Africa does not belong within this grouping. The criteria used emphasise trade and GDP growth and South Africa does not measure up on both accounts.

In South Africa, there seems to be a plethora of conflicting views with regard to this prestigious membership. O'Neill (2012 cited in Naidoo, 2012) states that *"...factionalism in the ruling party, the ANC, and government ministries is undermining the country's ability to sort out its problems..."* The South African and African National Congress (ANC) president, Jacob Zuma, interprets South Africa as the leading African economy, asserting that it deserves to be part of the BRICS group of leading emerging economies (Gumede, 2013). This may come as no surprise as he was reportedly the brains behind this inclusion through heavy lobbying stunts aimed at China, coupled with state visits to the other three member

states. By the end of 2010, due to the encouragement of China, the BRICs economies thus invited South Africa to join this grouping (Dubbelman, 2011). The ANC general secretary, Gwede Mantashe, in support of the president states: “western investors have to realise that South Africa does not need their money since it can turn increasingly to fellow BRICS partners” (Gumede, 2013). Such views are often backed up by perceptions that, for BRICS to genuinely become a global alliance of strategic developing countries it must have an African state within the club. The South African influential sectors, including its major opposition party, oppose the idea that South Africa needed to forge partnerships with the east, stating that this country’s future is through meaningful engagements with industrial countries such as the Western Europe, North America and Japan, which are currently South Africa’s largest export countries (Gumede, 2013). The ANC-aligned trade unions, civil society and activists support this notion emphasising that South Africa needs to diversify its trading partners with a focus on expanding trade with Africa and other emerging markets such as Brazil, India, South Korea and Turkey (Gumede, 2013).

#### **4.3.2 Level 2: social or structural analysis**

O’Neill (2013) has a better idea for the BRICs membership and concludes:

*“..this is why South Africa should not be in this grouping...”* O’Neill (2013)

South Africa does not measure up (O’Neill, 2010). Countries such as Indonesia, Nigeria, Turkey and Saudi Arabia are considered somewhat better fits for the BRICS grouping, taking into consideration their demographics and economic performances. South Africa continues to draw negative perceptions concerning its economic performance, which is considered the greatest flaw and not deserving as a member

of this bloc. Challenged by the burden of high unemployment, low productivity and thus slow economic growth, South Africa nonetheless demonstrates an openness of its economy that is actually higher than the other BRICS member states (Sandrey, 2013).

South Africa justifies its membership into this bloc as the gateway into Africa. It capitalises on its location and development advantages in comparison to the other African states. This is affirmed by major multinational conglomerates who view S.A. as 'stepping stone' into Africa, thus these conglomerates set up corporations in Johannesburg, the economic hub of South Africa, whilst spreading operations into the rest of the African markets (Carmody, 2013). Because of South Africa's immense trade with the rest of Africa, it is also viewed by its BRICS partners as the catalyst for African development (Sandrey, 2013). Makwiramiti (2011) states that South Africa's membership into BRICS and its foreign trade policy create an opportunity for African states to benefit from international trade with the BRICS nations, investment and infrastructure projects that will directly influence job creation and poverty eradication in Africa. He asserts that the BRICS investment propensity and Africa's (including South Africa) resource base leads to mutual benefits for all parties involved including trade, investments, industrialisation, accelerating employment creation and value addition in exports for the African states. The BRICS nations present a lucrative market for African states for their natural resources, tourism sites and opportunities for cooperation in agriculture, infrastructure and business development (Makwiramiti, 2011).

O'Neill (cited in Naidoo, 2012) challenges the view that South Africa is a gateway into Africa, highlighting that South Africa is fast losing its continental leadership



status and is losing out on investments to other African economies such as Nigeria. Africa, a continent largely considered underdeveloped and poor, is now increasingly viewed as the land of promise, potential and opportunity, attributing its importance to its large resource base (Sandrey, 2013).

In an attempt to substantiate its place within the BRICS alliance, South Africa, in addition to the geographical location advantages, cites its 'soft power' might as the state that has favour both amongst the developed and developing nations; one that through its act of a 'middle man' state can manipulate and coordinate regional relations to navigate globalisation and world peace (Hentz, 2008:490 cited in Carmody, 2013). Owing to its large regional political influence, derived from its SADC membership, South Africa is considered a catalyst for African development.

However, amongst the major challenges dwarfing South Africa's progress are poor governance, corruption, a poor healthcare system, and slow economic growth.

#### **4.3.3 Level 3: Worldview / Discourse**

Can BRICS be likened to the norm?

*"...the BRICS is not a formal economic or trading bloc like the European Union..."* Naidoo (2012)

The view that South Africa's inclusion into BRICS takes for granted the existence of the BRICS alliance as influenced purely by Western neoliberal reforms that membership is qualified by a nation's perceived economic well-being or its projected prosperity. When viewed solemnly and narrowly from the perspective of size, South Africa is a minnow. According to Gumede (2013), the question of whether or not South Africa should be included into BRICs, as a result of its smaller population and

sluggish population growth, when compared to other BRICS members, is wrong and irrelevant. As highlighted before, the unusual nature of this alliance challenges against a definite categorisation of this alliance as either an economic, geopolitical or trade alliance. Gumede (2013) asserts that the BRICS grouping is a strategic and tactical alliance based on each country focusing on securing individual country interests by mobilising in alliance in global forums. The BRICs seek to take a stand on issues of global development politics (Morazán *et al.*, 2012).

The BRICS alliance offers its members the geopolitical support needed to allow them as developing countries to have a fairer say in global affairs, especially pertaining to global institutions such as the World Bank and the IMF, which demonstrate little transformation in spite of the changing world events (O'Neill, 2001).

Policymakers in South Africa view the BRICS grouping primarily as a geopolitical alliance with a growing significance in the world, particularly pertaining to global trade, political might and as a grouping that is very instrumental in partnering with Africa as it emerges from the western colonial bondage (Gumede, 2013). As was evident in its ability to marshal political backing from the developing countries in the Eurozone bail out, South Africa demonstrates its 'soft power' abilities. It is considered a major economic and political power on the African continent, accounting for over a third of SSA's economy and its political influence is evidenced by the election of a South African, Nkosazana Dlamini-Zuma, to lead the African Union in 2012. South Africa's geopolitical power over Africa leverages heavily on its partnership with China, which has economic supremacy as the leading trading and source of FDI in Africa (Carmody, 2013).

Factors that ignore the ‘GDP’ exclusion of South Africa, championed by O’Neill and other renowned economists, are irrelevant as a primary consideration for BRICS membership if its objectives are not purely based on the principles of O’Neill’s study. Unlike the other BRICS nations, South Africa is not so much a competitor of China within the African market but rather a ‘junior or minor partner’.

#### **4.3.4 Level 4: myth/metaphor**

Opinions about the close relations between China and South Africa are captured by Makwiramiti as:

*“...a friendship of convenience.”* Makwiramiti, (2011)

It is alleged that South Africa is in the BRICS alliance for reasons that befit the Chinese agenda (Naidoo, 2012). To counterbalance the Ibsa alliance, which China is not part of, and to gain favour in the African market, China saw South Africa as a partner to be reckoned with and thus vouched for its inclusion into BRICS. China views Africa as a crucial market and therefore strives to understand its future needs in order to increase those future needs through partnering with South Africa and leveraging from its continental influence as an Africa’s largest economy (Fin24, 2010).

According to Gumede (2013), the BRICS alliance is not a charity alliance; every country is in it to advance its own economic, trade and geopolitical agenda. Whilst O’Neill highlights the imbalance in power amongst the BRICS nations as a result of the varying sizes of their pockets, other researchers emphasise that in the case of China-South Africa, both countries stand to benefit (Fin24, 2010). China views Africa as an important source of its commodities and a destination for large volumes of its

exports; South Africa gains associational powers that legitimate its global power as an investable country and has already witnessed positive strides in the strength of its currency, which has improved since it joined BRICS (Gumede, 2013).

Political influence is acknowledged to be driven by economic power. If this concept is applied to the BRICS concept, then all the other BRICS member states are in this alliance to carry out the Chinese agenda as none of them have the wealth that compares to China. The challenge for the BRICS member states is to cleverly negotiate their economic interests within this grouping whilst standing together to increase the geopolitical influence.

#### **4.4 CONCLUSION**

Through the application of CLA, the different perspectives concerning the formation and the objectives of the BRICS alliance were deconstructed. South Africa's membership of BRICS was assessed from multiple perspectives and views that make its membership problematic were explored. In this chapter, critical histories, that make the present structure unfamiliar, were explored and through the process of reordering knowledge, the assumptions concerning BRICS as an 'economic regional trade bloc' or a 'geopolitical alliance', were challenged.

Findings and recommendations are presented in the next chapter.

## **CHAPTER 5: FINDINGS AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

Drawing from rich and diverse perspectives captured in the previous chapter through the application of CLA, this section highlights the crucial findings and themes that underscore the formation of the BRICS alliance and South Africa's place in it. Deductions concerning these variables, which guide the formulation of recommendations for South African policy makers, are presented.

### **5.2 THE DISCOVERY VERSUS THE BIRTH OF THE BRICS ALLIANCE**

In academia, business and media forums, the mention of the BRICS acronym is often complemented with the acknowledgement of Jim O'Neill who coined the "BRICs" acronym of Goldman Sachs Asset Management, the leading US-based global investment bank and securities management company. In this study, the predictions concerning the future of these nations that led to the discovery of the BRICS acronym, are acknowledged to affirm the importance of exploring futures, which enrich humans' way of knowing and thereby allowing for progressing towards an ideal state. The conditionality of their study emphasised the pursuit of a sound policy framework concerning macroeconomic stability, effective and efficient institutions, openness to trade and education as critical factors for these nations to acquire the futures deemed necessary for economic growth. These conditions insinuate an important aspect of critical future studies, emphasising the uncertainty of predictions and aligning the attainment of ideal states with the actions of today. Futures studies have played an enormous role in the discovery of the BRICS

concept, its global power and significance drawing from its ideal perceived future triumph.

In investigating the motivation behind the formation of the BRICS alliance, the works of O'Neill are acknowledged. He discovered the upward sloping economic growth of these nations into the future as key contributors to the global economic growth and their growing importance in world financial developments as significant holders of financial reserves, which were viewed as increasingly impressive. His workings forced world stakeholders, particularly the western traditional powers, to realise the changing global power dynamics. Literature attributes the growing significance of these economies to their large populations characterised by a growing middle class, which presents a large domestic market and an attraction to inward foreign direct investments. O'Neill (2001) suggested that the superiority of these states in world economies, and that the traditional powerhouses such as the G7, needed a reconstruction in order to allow for the inclusion of some of these BRICs nations which were already performing better than some of the G7 member states. The G7, given its historical imperatives, is described as the forum of finance ministers from the seven largest economies who convene to machinate global economic concerns. O'Neill proposed that for the G7 to genuinely maintain its identity and purpose, it needed to evolve to include some of the new emerging true global powers. He proposed that for the first phase, the current, the G7 had two choices; the first was to extend the G7 to a G9 in acknowledgement of the inclusion of China and India, the largest BRICs economies; or secondly, to consider removing Canada and reducing the Eurozone membership into only one (instead of the three), thereby leaving two vacant spaces to be filled by China and India. His proposal to these traditional

powerhouses was received with a sceptical reception, followed by arrogant requests for these emerging economies to prove their worth by demonstrating strategies to deal with their domestic issues such as human rights. Russia, which had already been considered a member of the extended G7, the G8, had already been criticised for delays to prove commitment to the western reforms prescribed. These emerging nations felt ridiculed and undermined by the west as they felt they had earned their position to be at the core of key global political and economic decision leveraging from their enhanced economic standing.

Five years later, these nations announced plans to converge at the back of the BRICs acronym which had gained prominence in international world affairs. The world went wild with speculations for the existence of this alliance with some alleging economic cooperation 'without the west'. Others described the emergence of this union largely as a regional economic bloc basing their perceptions on the economic basis that had guided the formulation of the BRICs acronym five earlier at Goldman Sachs. This alliance was an odd unification. By O'Neill's own admission, such an alliance was anomalous and did not make economic sense as these nations had very little in common and little to offer each other. How could these nations commit to the wellbeing of member partners when they were also competitors for trade in goods and services in the same markets? It didn't make economic sense; even so, it was generally accepted as the 'economic trading bloc with 'a difference'. The latter addition of South Africa in 2010 only added to the confusion as it did not fit the mental frameworks that were already established pertaining to the alliance which pronounced it as a pure 'trade bloc'. To the BRICS nations the alliance meant that they clubbed together to enhance their position on world affairs. Although with crucial

elements of a trading bloc, which include increased trading of commodities, goods and services among member states characterised by the removal of tariffs and quotas and collaboration on issues of national economic development, this alliance evidently serves a wider purpose. Some scholars allege that the power imbalances in this grouping mean that other member states serve as puppets of the Chinese, considered as the 'masters' of this alliance.

The inclusion of South Africa, in particular, is defined by some researchers to be engineered\_by the Chinese to suit their own agenda. Another perception concerning the formation of this alliance is one that highlights enhanced geopolitical significance. All the BRICS members are regional powers in their respective regions. The clubbing of these nations together indirectly brings together a greater horde of other states into this alliance. For example, South Africa, given its influence over the SADC and African Union, claims its position as a gateway into the rest of Africa. If this argument hold true, this means that through South Africa the whole African agenda can be put before the BRICS nations which would in essence displace the western 'lords' from these nations or Africa at large.

The BRICS alliance is not an exclusive 'economic trading bloc' but rather an alliance driven by political motives. This is precisely why their union does not conclusively move in synchronicity with the established economic theories that seek to define this alliance; after all, O'Neill (2001) predicted the economic growth of individual member states and not an alliance. The predicted economic prosperity is a commonality that these economies capitalised on in order to assert themselves not as puppets but alternatives to the west with possible superior or greater economic might. The golden thread that pulls these nations together is China, with some scholars claiming that in



the absence of it, there is no BRICS. Outside the common benefits derived from the partnership with China, the BRICS nations have very little to offer each other. This is why the US comes across as very wary of this alliance; it doesn't seem to demonstrate pure economic traits but is underscored by dynamics such as their common 'adversaries' of the west, rising from being long undermined and being considered as 'irrelevant' others. Whether or not their internal inter-politics are in sync is an issue that can only unfold as the world moves into the future. For example, whether or not the BRICS alliance means China and India have made meaningful amends as they too have been open adversaries is yet to be seen. Their increasing proclivity for basic commodities, given their large economies, and the futuristic perspectives which predict that the next world war will be for energy and water which resonate with some researchers will be ultimate test for the relationship between these nations.

It is the author's view that using the neoliberal economic justification modelled along the lines of O'Neill's (2001) study to explain the existence of BRICS is flawed. BRICS, evidently in the diverse background of member states, presents a phenomenon that challenges for the deconstruction of mental frameworks, which will embrace the fact that BRICS has a persona and a life of its own which is different from the norm; for example the G7 and Ibsa. The following section studies the benefits derived by member states and makes conclusions about the motivations for the formation of the BRICS alliance.

### **5.3 ECONOMIC JUSTIFICATION FOR THE FORMATION OF BRICS**

The BRICS economies are largely characterised by their big economies and a growing middle class. This represents a large access to untapped markets. The

cognitive economic integration of these nations, which entails abolishing trade barriers, offers a unique opportunity for conglomerates from the different member states to grow their presence as a result of favourable trading conditions between the countries. In this case intra-trade amongst member states, which stood at five percent in 2000, had improved to eight percent by 2008.

A problematic aspect of the BRICS intra-trade is that, although vast market opportunities exist within these states, these nations, albeit knotted in a close relationship within the alliance, present a complicated affair as they are also competitors for the same customer favour. Each state's membership is not charitable; it does not mean success by virtue of association, every country must be on its toes if it is to actualize on the projected pathways. Member states capitalise on different areas of specialisation or superiority in natural factor endowments in order to drive economic prosperity and take advantage of these massive 'emerging markets.

The existence of the BRICS nations also plays a unique and crucial role in Africa and the developing world that has long been tied down to western conditionality for their economic survival. Drawing from China's booming economy, the developing nations have an alternative to their western trade partners, which allows these nations to bargain for better trading conditions instead of accepting what is put on the table by the west.

#### **5.4 THE GEOPOLITICAL MOTIVATION FOR THE FORMATION OF BRICS**

The geopolitical motivation for the formation of the BRICS alliance generates more significant benefits to this grouping and its member states. The most crucial factor

that is highlighted by Armijo (2007) is that interstate trade happens within a 'political economy'. To illustrate this phenomenon, India deliberately misses trade opportunities with a 200 million populated Pakistan because of tense political relations between these states. This argument highlights that political relations between states influence the trade conditions that exist between those states. Firstly, the BRICS nations want to have a greater say on issues of global concern. Amidst the West's propensity to hold on to power, these alliances of emerging economies are pushing to advance their case for the restructuring of global trade and political architecture. Amidst perceptions that perceive this alliance as a temporary cult, the discussions concerning the formation of a BRICS development bank intensify the reality and the growing global might of this grouping. The growing discomfort amongst the traditional powers of the west does not support the argument that these emerging economies are a typical 'geopolitical fad' but affirms the changing power distributions.

The BRICS nations want to enhance the developing nations' derived benefits from globalisation therefore making them better able to compete with the west. Secondly, the alliance gives space to sort out disputes whether related to trade, political or diplomatic; a platform that is useful given the ancient tensions characterised by mistrust between India and China. Thirdly and more importantly, the alliance provides the space for the developing nations to craft own nations' strategic policy framework pertaining to trade, political and policy decisions, shaking off the prescriptive nature of western policies towards developing nations.

## **5.5 CONCLUSIVE REMARKS: MOTIVATIONS FOR BRICS ALLIANCE FORMATION**

It is the author's view that using the neoliberal economic justification modelled along the lines of O'Neill's study to explain the existence of BRICS is flawed. BRICS, evidently in the diverse background of member states, presents a phenomenon that challenges for the deconstruction of mental frameworks, which will embrace the fact that that BRICS has a persona and a life of its own which is different from the norm, for example the G7 and Ibsa. It is also the author's conclusive view that the BRICS alliance, far from common perceptions, represents more geopolitical characteristics of a grouping pursuing primarily political ideologies. Trade and economic cooperation, although significant in size, are a positive consequence to their global political plight.

## **5.6 DOES SOUTH AFRICA BELONG TO THE BRICS?**

This thesis highlighted the two schools of thought that surround the inclusion of South Africa in the BRICS alliance. The first still opposes this action, raising concerns regarding South Africa's economic size and its current and future economic growth patterns, which paint a less glamorous future state relative to its partner states. This argument also adds that given its projected economic standing relative to other African emerging economies such as Nigeria, it is more likely to lose its political influence which it currently relishes to justify its legitimacy in this grouping owing to its economic leadership position in the continent. O'Neill not only ignores the 'S' in the BRICS acronym, evident in his recent 2013 book published three years after the invitation for South Africa to join this alliance, he publicly vouches for Nigeria as an African partner. Nigeria is amongst the next eleven growth markets after BRICS that are making aggressive strides in improving its economic wellbeing

in terms of its economic growth. As Nigeria is the most populous state in Africa, presenting a growing untapped market, O'Neill classifies Nigeria's right to inclusion superior to South Africa's. To demonstrate his argument, O'Neill highlights that South Africa is already losing a lot of its investments to Nigeria, which is increasingly attracting investor favour. Other researchers support O'Neill's assertions, stating that if the measures that are used to assess countries' performances and growth prospects are accepted as legitimate yardsticks, then South Africa is in over its head. As the main tool for assessing nations' progress ~~we~~ the GDP as a tool was explored. In the case of BRICS, economic wellbeing is measured using GDP and the Human Development Index (HDI), which is adapted in the GES tool used in the Goldman Sachs BRICS reports. Those who oppose the inclusion of South Africa amongst the BRICS alliance do so relying largely on the usefulness of the neoliberal economic constructs that define a country's net worth. Amidst its flaws, the GDP is accepted as a measure that mirrors the progress of economies which become socially evident on measures such as the HDI. Given these measures these researchers allege that South Africa needs to know its place in the world; it needs to align itself with peer nations of the same magnitude and stop fooling itself into thinking it can wake up to be amongst the 'big boys'.

The other factors dwarfing South Africa's dream to succeeding and maximising its growth potential are poor governance, corruption and an inefficient education system. South Africa is fragmented with some in key influential structures expressing discomfort with this inclusion, stating that the country's economy is better off with a diverse basket of trading partners and that it should focus more on increasing its

trade within Africa than committing itself to a 'close relationship' within the BRICS economies.

The second the school of thought supports South Africa's inclusion in BRICS accusing scholars of the former as arrogant in defining this grouping by narrowly looking at it as a trade bloc in which legitimacy of membership is confirmed by economic size and economic growth rates. These scholars assert that the BRICS alliance represent to a larger extent a political alliance driven by their appetite to influence world economic, trade and political decisions. National South African leadership through the ruling president, Jacob Zuma, reportedly states that South Africa deserves its spot in BRICS. His views are often supported by perceptions that BRICS is a global alliance, basing the case for South Africa's inclusion as supportive of this and addressing the question of an African partner. This view is, however, undermined by researchers who view other non-African states such as Turkey or Indonesia a better fit to the BRICS dream.

The richness of Africa and its role in fuelling global economic growth is highlighted in this study. The emotional state of those in support of South Africa's marriage with the east is reflected in the words of Gwede Mantashe (Gumede, 2013): "the western investors have to realise that South Africa does not need their money since it can turn increasingly to its fellow BRICS partners". In an attempt to justify its own membership, South Africa raises its location advantages. Given its location within the African continent and its fair infrastructural capital, South Africa provides an entry point for foreign conglomerates that seek to serve the expanding African market.

South Africa boasts its 'soft powers' that enable it to garner support from the developing world and its ability to fulfil the role of a middle man between the

developed and developing nations in bargaining issues of global interest. Also, since the fall of the apartheid system, South Africa's foreign policy was crafted with an emphasis of securing peace and prosperity for African states; hence South Africa's inclination to play 'big brother' within this continent. Some researchers allege that the invitation of South Africa into this bloc was made solely to advance China's motivations. This view closely ties with the mental frameworks that view the rise of China as a threat and undermine the view that the BRICS alliance is a grouping with a purpose of its own. This view associates the existence of BRICS with China's supremacy as the biggest BRICS member and thus the most influential.

#### **5.7 CONCLUSIVE REMARKS: DOES S.A. BELONG IN THE BRICS ALLIANCE?**

When viewed strictly and narrowly from the economic size perspective, South Africa has no place in BRICS. It is in over its head. Whether or not it belongs within this grouping is influenced by the framework adopted to assess its membership in the BRICS alliance. If viewed as an economic trading bloc, the interpretation that South Africa does not belong amongst the BRICS economies is justified. However, given the arguments brought forward in the preceding section regarding the motivation for the formation of BRICS, it is the author's view that it is erroneous given the evidence presented above to view this alliance as purely as a 'trade bloc'. Its scope moves beyond liberating trade between member states and represents more political motives that seek to give these nations a bigger voice in global issues.

In light of the aforementioned statements, it is the author's conclusion that questioning South Africa's legitimacy in BRICS is an irrelevant deed. South Africa is a BRICS member. This is undisputed truth. However, South Africa must guard against naively interpreting its membership as a success. By its membership, South

Africa has not won a golden lottery ticket to economic growth and prosperity. Like any other BRICS members, it still needs to create meaningful structural and systemic leaps in order to construct its own ideal future state ideal state. Gumede (2013) believes that if South Africa leaves its 'head in the clouds' and is disillusioned with its BRICS membership it will risk becoming completely de-industrialised. South Africa's leadership has to explore value maximising strategies, driving a hard bargain for its real economic gains and protecting its economic interests. Being the most open to trade in this alliance means that entry of goods from other BRICS partners is relatively easy whilst South African companies still battle to be competitive in the BRICS markets because of high tariffs (Gumede, 2013). Being submissive to such terms presents an example of how South Africa could end up de-industrialising, collecting bread crumbs to fuel its economy and thus becoming a net importer by a large margin. Whilst not suggesting preferential trading terms, South Africa must protect its strategic industries by pushing a hard bargain for balanced trade terms between member states through, for example, negotiating better terms for the S.A. textile industry which has been greatly impacted by trade initiatives with China and India.

It is also the author's view that this inclusion opens up a window for Africa to bargain between the old traditional and new power houses for its economic prosperity. If South Africa plays its cards well, it may create a platform for African member states to better negotiate development aid terms from the BRICS countries (Gumede, 2013). The BRICS membership offers states the opportunity to share an institutional and industrial competitiveness. The next section presents recommendations for South Africa that encourage South Africa to capitalise on its BRICS membership.



## **5.8 CAPITALISING ON ITS BRICS MEMBERSHIP**

Taking the argument that opposes the question whether or not South Africa should be a BRICS member, this treatise advocates for South Africa to capitalise on its close relationship with these prosperous economies to influence its own policy framework in order to drive economic prosperity. This section organises recommendations for South Africa's prosperity, which can be adapted to inspire South Africa's own economic growth. Amongst key issues challenging the South African economy is the burden of high unemployment, slow economic growth, the adverse prevalence of HIV/Aids and an education system that fails to produce the quantity and quality of skills needed. O' Neill (cited in Naidoo, 2012) states that one of the causes behind South Africa's slow economic growth is the mentality of self-pity which often leads to 'the world owes us' attitude. Its policy makers are caught up in strategies that seek to rectify the imbalances of the past at the cost of running a truly successful economy. The burden of poor governance and leadership also complicates South Africa's prospects. Be that as it may, it is never too late to change. After years of faithfully following a pathway that was surely leading to a destructive state characterised by high rates of crime, inflation and poor institutional systems, Brazil made a turn around and is now considered amongst the most successful emerging economies of our time.

Brazil is the largest exporter amongst the BRICS alliance of agricultural produce and benefits immensely from the large BRICS market. It is also the state that has, through active policy reforms, executed an exceptional job in implementing inflation targeting strategies, addressing the large inequality problems that characterised their economy, pulling tens of millions of Brazilians out of poverty. Brazil demonstrates a

crucial lesson on how a country could reverse a projected destructive path by undoing problematic economic and political strategies and embracing alternative reforms that eventually lead to economic growth as witnessed in Brazil (O'Neill, 2013).

Russia, notorious for its unfavourable demographics, excessive dependence on energy and raw materials and its poor record on governance, also represents an economy that had to start from its lowest point following the 1990 economic depression and 1998 global financial crisis, which left it struggling to survive. Its previous regime that fell in 1989 left it with low economic output, a non-diversified Russian economy, a non-functional social security system and an undereducated workforce. Although still reliant on the export of natural resources, Russia has made serious strides in improving the state of its economy. Given the challenge of demographics, South Africa has to take seriously the issue of encouraging human productivity perhaps modelled along the lines of the Russian methods of promoting fertility. This might be hard to sell given the prominence of HIV/Aids amongst the South African society. Russia's strong centrally planned education, characterised by high standards in mathematics and science, have enabled this country to increase its technology adoption and coupled with its good national technology policy, they have an educated, technologically inclined workforce attractive to business and the country's policy makers. Russia's strength in education and communication is one of the elements that improved its growth record. South Africa, challenged with an education system that falls short of producing the right skills coupled with vast income disparities, can learn and adapt from the Russian education system.

Education and poor people create a more positive investment climate critical for empowering poor people to participate in growing the economy.

India not only has favourable demographics. It also boasts a credible legal system, proficiency in English, quality institutions, high levels of educated human capital, a booming research and development (R&D) sector and a myriad of home-grown technology companies that are expanding globally. India produces large numbers of well-trained and English-competent technical graduates who are computer literate and technically trained to contribute meaningfully towards building its economy.

China, the most impressive and most successful amongst the BRICS nations, owes its growth to its favourable demographics, advances in productivity and the strong manufacturing industry. In order to revive its ailing manufacturing industry, South Africa should strive to create an individual relationship or partnership with China.

#### **5.9 AREA FOR FURTHER STUDY**

This study also highlights the varying power dynamics in the BRICS grouping, which favour China because of its larger financial pockets. It is often cited that the BRICS grouping, with the later inclusion of South Africa, are in this primarily to seal China's global motives. Whilst this argument may hold true to a certain extent, Gumede's (2013) view states that every member country ought to use its membership in BRICS to advance its own economic interest, leveraging from the associational advantage of being within BRICS. China as a major exporter of manufactured goods requires markets to sell to that is African, Latin American, European, and Asian markets.

Having declared South Africa as a 'gateway' into the African market, and every member of this alliance, being Oregional powers, presents an interesting prospective

theory concerning trade routes as a means to world trade domination. With China already giving western investors a run for their money, walking hand in hand with South Africa, it is winning favour amongst the African states via its western counterparts. An area worth exploring is one which puts trade routes and the BRICS alliance partners into a direct dependent relationship with China's success strategy for global trade domination.

#### **5.10 CONCLUSION**

Through the application of CLA, this study explored the shifting world powers that have seen the BRICS nations at the fore of global economic growth. With plans to launch their own development bank, the BRICS alliance seems adamant on their journey amidst perceptions that dismiss its relevance and legitimacy. This study was dedicated to investigating whether the different perceptions pertaining to South Africa's inclusion and began with an in-depth analysis for the formation of the BRICS alliance. It is the author's view that in order to allow conclusions to be made regarding South Africa's membership, clarities concerning the goals and objectives of the alliance had to be explored. Differing perceptions were acknowledged and analysed using Causal Layered Analysis. The application of CLA revealed crucial information pertaining to the existence of BRICS, the motivations driving this partnership of federation and South Africa's place in it.

Deductions were made concerning the formation of the BRICS alliance to be motivated by political motives that influence trade and economic relations between member states and the rest of the external world. When judged on pure economic terms, South Africa does not belong to BRICS. However, given the conclusions regarding the formation of the BRICS alliance, whether or not South Africa's place in

this prestigious grouping is legitimate, is irrelevant. This treatise proposes that we change the question. Given the fact that South Africa is a BRICS member and participates in BRICS forums, events and discussions, perhaps a more legitimate question that should be posed is 'how can South Africa enhance its relevance and capitalise on its BRICS membership to advance its economic interest?'

Chapter 5 also outlined the recommended answers to this question, deemed important for South Africa's economic growth capitalising on its membership, as a starting point to attempt to change negative perceptions concerning its BRICS membership. South Africa's membership in BRICS is not enough to drive its success; through active policy, negotiating better trade relations and forging meaningful relationships with the BRICS nations, South Africa can turn its struggles, such as high unemployment, around and pave a new pathway to economic prosperity. Brazil, Russia, India and China certainly project a group of countries that have made it or fought (and still fighting) against odds to enhance their international stature through active policy reforms; addressing inequality problems and pulling millions out of poverty; education and health problems and developing booming local industries and South Africa can surely benefit if its uses its close ties to these nations to its advantage.

## **REFERENCES**

- Alessandrini, M. and Batuo, M.E., 2010. The trade specialisation of SANE: evidence from manufacturing industries. *The European Journal of Comparative Economics*, 7 (1), pp: 145 – 178.
- Annan, K., Machel, G. and Camdessus M., 2009. The future of the state of Africa. *Africa X-cutting Issues*, pp.1-2
- Argyris, C., 1977. Double loop learning in organizations. *Harvard Business Review*, pp. 115 – 125.
- Armijo, E., 2007. The BRICs countries (Brazil, Russia, India and China) as analytical category: Mirage or insight? *Asian Perspectives*, 31 (4), pp: 4-42.
- Baer, W., 2008. The Brazilian economy. *Boulder: Lynne Rienner Publishers*.
- Baker, A., 2008. The group of seven. *New political Economics*, 13(1), pp. 103-117.
- Ballasa, B. 1961. The theory of economic integration: an introduction. *Greenwood Publishing Group*, pp 173-185.
- Barro, J.R., 1996. Health, human capital and economic growth. *Washington: Pan American Health Organisation*.
- Bell, W., 2002. A community of futurists and the state of the futures field. *Futures Journals*, 34(1), pp.235-247.
- Bell, W., 2003. Foundations of futures studies, history, purposes and knowledge.
- Brütsch, C. and Papa, M., 2013. Deconstructing the BRICS: bargaining coalition, imagined community or geopolitical fad? *The Chinese Journal of International Politics*, 6(1), pp. 237-299.

Carmody, P., 2013. *Rise of the BRICS in Africa: the geopolitical south –south relations*. London: Zedbooks.

Constanza, R., Hart, M., Posner, S. and Talberth, J., 2009. Beyond GDP: the need for new measures – the need for new measures of progress. *The Pardee Papers Series*, 4(1), pp. 1-46.

Cooper, A. F., Antkiewics, A., and Shaw, T.M., 2007. Lessons from BRICSAM about South-North relations at the state of the 21<sup>st</sup> century: economic size trumps all else? *International States Review*, 9(1), pp: 673 – 689.

Cronje, F., 2010. Research and policy brief: not just another BRIC in the wall. South African Institute of Race Relations, [Online] 14 October. Available at <http://www.sairr.org.za/sairr-today-1/research-and-policy-brief-not-just-another-bric-in-the-wall-14th-october-2010> [Accessed 18 March 2013].

Curtis, L., 2008. China's expanding global influence: foreign policy goals, practices and tools. *The Heritage Foundation*, [Online] 20 March. Available at <http://www.heritage.org/research/testimony/chinas-expanding-global-influence-foreign-policy-goals-practices-and-tools> [Accessed 02 February 2012].

Dornbusch, R., 1997. Brazil's incomplete stabilization and reform. *Brookings Papers on Economic Activity*, 1(1), pp.390-400.

Dubbelman, R., 2011. South Africa's role in BRICS: Implications and effects. *Creamer Media's Research Channel Africa*, July 2011, pp.1-6.

Empire, 2010. BRIC: the new world order. [video online] 01 July. Available at [http://www.youtube.com/watch?v=OjR1GGP\\_Vns](http://www.youtube.com/watch?v=OjR1GGP_Vns) [Accessed 07 October 2013].

Fakir, S., 2013. South Africa: Old allies building new relations Bric by Bric. All Africa, [Online] 15 March. Available at: <<http://allafrica.com/stories/201303170081.html>> Accessed 18 March 2013.

Fernandez, R., 1995. Returns to regionalism. An evaluation of non-traditional gains from regional trade agreements. *M.Phil, New York University*.

Grant Thornton, 2012. The BRICs propping up the global economy. International Business Report, pp.4-9.

Graystone, E.P., 2008. *Russia national and religious identity during the kast year of time of troubles*. Unpublished M.Phil thesis, University of Birmingham, Birmingham.

Gumede, W. ed., 2013. *South Africa I BRICS: Salvation or ruination*. Capetown: Tafelberg.

Hill, C.W.L., 2011. *International business competing in the gloal marketplace*. 8<sup>th</sup> ed. New York: McGraw Hill.

Inayattullah, S., 2004. The causal layered analysis (CLA") reader: theory and case studies of an interactive and transformative methodology. Tamkang University.

Inayatullah, S., 2005. From organisational to institutional change. *Emerald Group Publishing*, 13(1), pp.46-52.

Inayatullah, S., 2013. [video] Tedex, Youtube. [Online]. Aвалиable at [http://www.youtube.com/watch?feature=player\\_detailpage&v=ImWDmFPfifl](http://www.youtube.com/watch?feature=player_detailpage&v=ImWDmFPfifl).

[Accessed 13 July 2013].

Kotze, H.A., 2010. *Causal layered analysis enriching the innovation process*. M. Phil. University of Stellenbosch.



Leas-Arcas, R., 2008. How will the EU approach the BRIC countries: future trade challenges? *ICL-Journals*, 2(4), pp. 235-241.

Makwiramiti, M., 2011. BRICS a friendship of convenience? [Online] 01 July, Available at

<[http://www.consultancyafrica.com/index.php?option=com\\_content&view=article&id=789:brics-a-friendship-of-convenience-&catid=87:african-finance-a-economy&Itemid=294](http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=789:brics-a-friendship-of-convenience-&catid=87:african-finance-a-economy&Itemid=294)> [Accessed 16 October 2013].

Mansfield, E.D. and Pevehouse, J.C., 2000. Trade blocs, trade flows and international conflict. *International Organisation*, 54(4), pp775-800.

Mbeki M., 2011. *Advocates of change: how to overcome Africa's challenges*. Johannesburg, Pan Macmillan publishers.

Mnyandu, E., 2013. South Africa must weigh costs and benefits of its BRICS membership. Business Report [Online] 11 March. Available at <http://www.iol.co.za//business/opinion/columnist/sa-must-weigh-costs-and-benefits-of-its-brics-membership-1.1483915#.UpiLP6PRbF0> [Accessed 18 March 2013].

Morazán, P., Knocke, I., Knoblauch, D. and Schafer, T., 2012. The role of BRICS in the developing world. *Directorate-General for External Policies*, 01 April, pp: 4-23.

Naidoo, S., 2012. South Africa's presence 'drags down BRICS'. Mail and Guardian, [Online] 23 March. Available at <http://mg.co.za/print/2012-03-23-sa-presence-drags-down-brics> [Accessed 18 March 2013]

O'Neill, J., 2001. Building better global economic BRICS. *Goldman Sachs Global Economics Paper No. 66*, 30 November, pp. s.02 – s.12.

O'Neill, J., Wilson, D., Purushothaman, R. and Stupnystka, A., 2005. How solid are the BRICS? *Goldman Sachs Global Economic Paper No. 134*, 01 December, pp: 3-13.

O'Neill, J., 2013. *The growth map: economic opportunity in the BRICs and beyond*. 2<sup>nd</sup> ed. London: Penguin Group.

Prasad, E. ed., 2004. China's growth and integration into the world: prospects and challenges, *International Monetary Fund Working Paper*, pp. 5-27.

Ramos, J., 2006. *Conceptualising agency through the world social forum process: a layered analysis of alternate globalisation*. In: Community Development in a Global Risk Society Conference. Deakin University, 20-22 April 2006. Melbourne.

Rodrik, D. and Subramanian A., 2004. Why India can grow at 7 percent a year or more: projections and reflections. *International Monetary Fund Working Paper*, 01 July, pp.3 -13.

Rondinelli, D.A., 2004. Promoting national competitiveness in a globalizing economy: the states changing roles. pp.2-8.

Sandrey, R., 2013. BRICS: South Africa's way ahead? *Tralac Publication Working Paper*, pp.1-28.

Slaughter, R.A., 1996. The knowledge base of futures studies as an evolving process. *Futures*, 28(19), pp.779 – 812.

Slaughter, R.A., 2002. From forecasting and scenarios to social construction: changing methodological paradigms in futures studies. *Emerald Group Publishing Limited*, 4(3), pp 26-31.

- Slaughter, R. A., 2013. Defending the future introductory overview of a special issue of on the horizon responses to the biggest wake-up call in history. *Emerald Group Publishing Limited*, 21(3), pp.168-173.s
- Spies, P.H., 2011. Sub-Saharan Africa's future is not a given. *Emerald Group Publishing Limited*, 13(3), pp.85-94.
- Tulinen, A., 2007. *Facing he challenges in exporting in Russia*. B. Degree treatise. School of Business Rauma.
- Vlad, L.B., Hurduzeu, G., Josan, A. and Vlăsceanu G., 2011. The rise of the BRIC: the 21<sup>st</sup> century geopolitics and the future of the consumer society. *Romanian Review on Political Geography*, 13(1), pp: 48-62.
- Wang, N., 2010. The relationship between regional trading blocs and globalization. *International Journal of Economics and Finance*, 2(1), pp.171-173.
- Waterberg, J. 2010. Whats wrong with the GDP? A briefing paper from the global wpmen's project. *Center of Concern*, 01 November, pp.1-4.
- Wei, S. and Frankel, A., 1998. Open regionalism in a work of continental trade bloc. *International Monetary Fund*, 45(3), pp. 441-448.
- Wilson, D., and Purushothaman, R., 2003. Dreaming with BRICS: the path to 2050. *Goldman Sachs Global Economics Paper No. 99*, 01 October, pp: 1-23.
- Woolfrey, S., 2013. The IBSA Dialogoue forum ten years on: Examining IBSA cooperation on trade. *Tralac Trade Brief*, pp. s3-21.
- Yueh, L., 2003. China's economic growth with WTO accession: is it sustainable? *The Royal Institute of International Affairs*, 1 May, pp: 3-15.

Yueh, L., 2013. What drives China's growth? *National Institute Economic Review* No. 223, pp.R3-R12.