



BRICS and the Enlargement Issue: Economic Gains and Challenges

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Abstract

This research paper discusses the gains and challenges facing countries joining the BRICS group from an economic perspective, especially since this group aims to develop member states' economies and create balance in the international economy.

Accordingly, this paper discusses the goals of countries' efforts to join this group and the various gains they will benefit from in the event of completing the requirements for their accession. The research paper also discusses all the challenges that the group may face in the future due to the expansion process.

Keyword: BRICS, gains, limits of effectiveness, South countries, expansion

1. INTRODUCTION

The world has recently tended to change the balance of power in international relations and the global economy through the establishment of effective international blocs among international groups, and this is commensurate with the capabilities of member states.

That is why the BRICS group tends to have a major role in this change, as it works to establish new controls for the international system that enable it to establish a multipolar system, support third-world countries and developing countries, and focus on social and economic issues.

Notably, numerous countries are seeking to join the BRICS group in order to develop their economies through partnerships with member states, most notably China, Russia and others. Therefore, the importance of the study lies in highlighting the most important gains that countries wishing to join the BRICS group can benefit from, and the various challenges they may face. In the future, based on the above, the features of the problem emerge as follows:

What are the elements of attraction that the BRICS group has, and what are the main challenges facing the expansion process?

Through the problem, we ask the following sub-questions:

What is meant by the BRICS group?

- What are the benefits of joining the BRICS group?

- What are the implications of accepting the new membership on the course of the BRICS group?

In order to cover all aspects of the topic, the study was structured as follows:

BRICS group: definition and genesis

Incentives for joining the BRICS group and the challenges of expansion

2. The BRICS group: definition and establishment

In this topic, we will discuss the nature of the BRICS group as a newly emerging economic bloc, the various developments it has witnessed, and highlight the most important goals it seeks to achieve.

2.1. Definition

It is an international group that works to encourage economic, commercial and political cooperation among member states.

The issues pursued by the BRICS group have varied to include, in addition to the economic matters For which this group was created, It expanded into political and international issues, such as international terrorism, climate change, food and energy security, development problems, the financial crisis, and other projects, In addition to shedding light on globalization and its political effects(زيدان، 2023، ص307)

The BRICS group, founded in 2006, is a consortium of five member countries: Brazil, Russia, India, China, and South Africa. The term "BRICS" is an acronym formed from the initial letters of these member countries' names in English. This organization was established with the primary aim of fostering economic, political, and cultural cooperation among its members to advance their shared interests. Notably, one of its key objectives is the creation of a robust multipolar economic system capable of withstanding global economic upheavals.

The inception of this bloc can be traced back to the sidelines of the United Nations General Assembly meetings in 2006 when it was initiated by the foreign ministers of China, Brazil, India, Russia, and South Africa. It wasn't until 2011 that South Africa officially joined the group. Many economists assert that the concept of the BRICS group gained substantial momentum following the global financial crisis of 2008. This crisis shook many advanced economies within a global economic system heavily dominated by the United States.

In 2009, the leaders of the four founding countries convened for a summit in Russia. During this summit, they unanimously agreed on the imperative of establishing a more balanced global order and pledged to enhance cooperation and coordination across all domains, with a particular emphasis on the economic sphere. (زيدان، 2023، ص331)

2.2. The BRICS group establishment

The origins of the term BRIC/BRICS can be traced back to November 2001 when British economist Jim O'Neill, an analyst at the influential Goldman Sachs investment company, first introduced the term BRIC (Brazil, Russia, India, and China). He presented this concept in a paper titled "Building a Better Economic World BRIC," (ECHINARD and FONTANEL , 2023,p.40)

which was part of an economic modeling effort aimed at predicting global economic trends for the next half-century. In this groundbreaking paper, Jim O'Neill envisioned the BRIC countries as an economic model capable of offering an alternative to the existing global financial structure. This alternative was to be built upon the substantial growth of these countries' gross domestic products. In his analysis, O'Neill highlighted the potential of the BRIC countries—Brazil, Russia, India, and China—as ascending economic powers that could assume more significant roles in shaping global economic policies. O'Neill's discussions also addressed the relative decline of the Group of Seven countries (G7), comprising the United States, Canada, Germany, Italy, France, Britain, and Japan. (حسين، 2021، ص368)

Jim O'Neill's work drew significant attention to the remarkable economic growth in the markets of four emerging economies. As a result, he advocated for the inclusion of the leaders of the BRIC countries in global policy-making forums. O'Neill's analysis also placed a strong emphasis on the role of population size in economic performance. He posited that if the BRIC countries could boost their productivity levels, they had the potential to become economic powerhouses due to the sheer size of their domestic markets and the expanding influence of global trade in an era of globalization. Based on his calculations, O'Neill projected that it was conceivable for the combined domestic product of these four countries to surpass the GDP of the G7 nations by the year 2037.

The BRICS group garnered widespread attention following the release of a second significant publication by experts from the "Goldman Sachs Global Banking Group" in 2003, titled "Dream with BRIC: The Road to 2050." (ECHINARD and FONTANEL , 2023,p.41) This publication underscored that the BRICS, comprised of Brazil, Russia, India, and China, represented not only a formidable economic force but also a political entity of immense importance. It boldly asserted that the collective economic might of the BRICS nations had the potential to outpace even the combined economies of the Group of Seven (G7) countries. This forward-looking analysis projected a scenario in which, by 2050, the economies of the BRICS countries would stand as formidable competitors to the wealthiest nations in the world. It further foresaw a shift in the global economic center of gravity towards the BRICS countries over the next five decades. This transformational journey began before South Africa's formal inclusion in the assembly in 2010. South Africa's participation added a noteworthy dimension to the group by incorporating a region of Africa that had been relatively underrepresented on the world stage. This development prompted Goldman Sachs to christen the first ten years of the twenty-first century as the "Sachs Decade."

BRICS constitutes an economic alliance encompassing two distinct groups of emerging powers within the international system. Its growth stands as a formidable force in sustaining global economic expansion. According to the "Global Banking Group" at Goldman Sachs, it is anticipated that by the year 2050, the economies of these BRICS countries will stand in fierce competition with those of the world's most prosperous nations. The first group comprises major emerging countries within the international system, exemplified by nations exercising influence across multiple global domains. These countries wield a global sphere of influence, though their capabilities do not yet reach the level of superpowers like China, Russia, and India. Despite this, they hold a prominent position in the international system as some of the fastest-growing economies globally. China, in particular, has ascended to become the world's second-largest economy after the United States, demonstrating remarkable economic and military prowess. India, too, has secured the fourth spot in the global economic hierarchy. The second group encompasses countries with medium capabilities that are emerging within the international system. These nations may not possess the capacity to play a truly global role, but they possess the means and aspirations to exert regional influence. These countries play influential roles across various regional interactions. A prime example is Brazil. South Africa also falls into this category, described as a rising power in the international system due to significant advancements in its capabilities, particularly its position alongside other major global powers. Brazil, having recently climbed to the rank of the sixth-largest global economy, has seen its role and influence become increasingly apparent alongside the emerging international powers.

2.3. The objectives of the BRICS group.

The BRICS group seeks to attain various objectives, which can be summarized as follows:

The primary aim of BRICS is to establish equilibrium in international economic relations, (Oniel, p.40) terminate the era of unipolar policies and the dominance of the United States over global financial matters. It seeks to provide an effective and viable alternative to institutions like the International Monetary Fund and the World Bank. Additionally, BRICS endeavors to achieve economic, political, and geopolitical integration among its five member states. This includes the development of infrastructure within member countries and the creation of effective mechanisms for mutual assistance during economic crises, thereby reducing dependence on Western institutions. BRICS also seeks to facilitate the granting and exchange of loans among member countries without disrupting their economies or causing undue strain, while strengthening the global economic safety

net and reducing reliance on loans from Western institutions.

BRICS has established the Development Bank, initially funded with \$50 billion, to finance a portion of member countries' essential requirements.

The BRICS nations aspire to hold a prominent economic position and play a greater role in international affairs. Despite complex international changes, the group continues to experience economic growth and has become a formidable force in countering financial crises. It actively promotes global economic growth and enhances global economic governance.

BRICS is committed to fostering global prosperity, stability, and security through sustainable development, ensuring food security, energy security, and addressing critical international and regional concerns.

The group maintains its independence and endeavors to create shared institutions that enable it to avoid subordination to the Western-dominated global system

3. Incentives for Joining the BRICS Group and the Challenges of Expansion

3.1. The Advantages of BRICS Membership

There is an ongoing debate regarding the aspirations of numerous countries to join the BRICS group. These nations vary in terms of the economic qualifications required for BRICS membership, hailing from various southern regions initially excluded from the BRICS core. These countries seeking BRICS membership aim to reap multiple benefits, which can be summarized as follows:

The burgeoning economic prowess of BRICS:

Comprising five nations that collectively command 26% of the global gross product, as estimated in 2021, with projections indicating this figure could rise to 33% by 2030. The combined foreign exchange reserves of BRICS member states exceed four trillion dollars, and their aggregate output surpasses \$23 trillion. This translates to a 16% contribution to global exports and 15% to the world's imports of goods and services (دياب، 2023، ص54)

Aspiring members aim to harness the industrial capabilities of BRICS countries, such as China's advancements in mechanical and aerospace industries, Russia's transformation from a net

grain importer to a grain exporter, and India's expertise in pharmaceuticals and the rapidly advancing technological sector.

The Establishment of BRICS alternative financial institutions:

BRICS initiated the New Development Bank in 2014, with an initial capital infusion of \$50 billion. (Witte, 2017)This institution operates by funding projects in local currencies, mitigating the risks associated with volatile exchange rates and bolstering local markets. The Emergency Reserve Fund, stocked with substantial foreign exchange reserves, was established to support member nations encountering payment difficulties. (دياب، ص55) Some perceive these initiatives as developmental alternatives to Western institutions like the World Bank and the International Monetary Fund. (ECHINARD and FONTANEL, p.49)

Consequently, countries seeking BRICS membership are enticed by the financial capabilities of BRICS member states, enabling them to embark on infrastructure projects within their own borders falling under the auspices of the BRICS group. Such projects often require substantial financial investments, such as the construction of ports and railway networks.

BRICS' pursuit of a unified currency and encouragement of local currencies in commercial transactions further heighten the appeal. This is particularly attractive to aspiring members looking to bolster the value of their national currencies through increased demand, as BRICS member nations opt for local currencies in their mutual trade exchanges. This move anticipates the eventual adoption of a unified currency, ultimately reducing the dominance of the U.S. dollar in global trade.

Hence, the use of local currencies in commercial exchanges among member states, coupled with the development of alternative financial institutions as a challenge to the International Monetary Fund and the World Bank, represents significant allure for many countries seeking BRICS membership. This aims to elevate the value of their national currencies while reducing reliance on Western financial institutions.

The Role of BRICS in the Russian-Ukrainian Conflict During the Russian-Ukrainian war :

the four BRICS countries—China, India, South Africa, and Brazil—refrained from endorsing any Western resolutions condemning Moscow's military actions in Ukraine. They also abstained from participating in Western-imposed economic sanctions aimed at obligating other countries. While the United States formed a coalition of approximately 50 countries to support Ukraine's war

efforts, South Africa prioritized the BRICS group in playing a more substantial role in resolving the Ukraine-Russia conflict. South Africa announced diplomatic efforts against Russian officials, including President Vladimir Putin, leading to the issuance of arrest warrants by the International Criminal Court on allegations of war crimes in Ukraine.

In light of the solidarity exhibited among BRICS member states during the Russian-Ukrainian war, many countries feel a pressing need to join the BRICS group to enhance their security, especially considering the multifaceted international crises the world is currently facing.

The Openness to Expanding Membership :

The BRICS countries exhibit varying degrees of openness to expanding their membership. China is notably the most enthusiastic advocate of expansion, followed by Russia, which aims to alleviate the repercussions of Western economic sanctions. Brazil and South Africa share this perspective. On the other hand, India appears somewhat reserved about the idea of expansion. Each of these BRICS members harbors its own inclinations regarding new entrants. In this context, India is supportive of its allies, such as Argentina, Indonesia, the Kingdom of Saudi Arabia, and the United Arab Emirates(دياب، ص56)

3.2. The Path to Expansion and New Membership Criteria

Internally, the BRICS group is engaged in discussions concerning the criteria to be employed when deciding on methods for expansion. Throughout BRICS conferences, some guiding principles have emerged, emphasizing the necessity of building consensus among existing members. This consensus implies that all five member countries must agree to the application for accession.

Additionally, size and influence hold considerable importance for representing countries from the Global South within the group. Regional representation is also deemed essential. Consequently, priority is accorded to leading economies in regions that were not previously represented within the BRICS group. These regions include Brazil in Latin America, China in East Asia, India in South Asia, Russia in Eurasia, and South Africa in Africa. Among the previously unrepresented regions before 2023 were the Middle East and Southeast Asia, with Saudi Arabia and Indonesia emerging as the nominated economies.

South Africa's inclusion in the BRICS group can be attributed to its strategic location, despite its comparatively modest economy in contrast to countries like Turkey, Mexico, and Indonesia, all

of which boast gross domestic products two or three times larger than South Africa's, along with larger human capital (حسين، 2021، ص374)

Debate surrounds the principle of geographical representation within the BRICS group, with calls to include African and Latin American countries. This step aims to counter the "Asian bias" evident in the presence of three BRICS members in Asia.

Six African nations expressed their desire to join the BRICS group, increasing the total number of potential candidates to 20 countries. Algeria, Egypt, Nigeria, Senegal, Sudan, and Ethiopia officially announced their aspirations to become BRICS members, with Ethiopia being the latest African country to reveal its intentions in 2023.

Following the expansion in 2023, which welcomed Argentina, Egypt, Ethiopia, Saudi Arabia, the United Arab Emirates, and Iran, the distribution became as follows: 2 from Latin America, 3 from Africa, and 6 from Asia.

Egypt's participation in BRICS summits in 2017, 2022, and 2023 culminated in Egypt's inclusion in the group in 2023 due to its strategic location and population census. A similar rationale might apply to Nigeria, which has not yet accepted membership.

Ethiopia's accession in 2023 was rooted in its demographic significance as the second most populous country on the continent and its strategic location. This decision stirred discussions about the criteria for admission, especially the economic weight criterion, in light of Ethiopia's recent economic instability stemming from internal political turmoil.

The financial influence of the Kingdom of Saudi Arabia and the United Arab Emirates played pivotal roles in their BRICS membership. This status affords them significant roles in financing, particularly in light of the New Development Bank's alignment with the group's plans to create alternative financial structures that diverge from Washington-dominated ones.

Argentina and Iran were also welcomed into the group in 2023, while Indonesia's bid was rejected despite meeting economic and demographic size criteria, as well as geographical representation. This has brought to the forefront the fluid nature of expansion criteria.

Algeria's entrance into the bloc has been postponed, despite its longstanding and robust relations with Russia and China. It's worth noting that Algeria is eager to explore new economic horizons as it aligns itself with BRICS.

3.3. Challenges of Expansion

In spite of the mutual advantages inherent in BRICS, the notion of expanding the group presents a set of intricate challenges that demand judicious consideration prior to embracing new entrants. These challenges encompass:

- Variability Among BRICS Nations: Within BRICS, there exists a notable spectrum of approaches concerning the international liberal system and interactions with the Western world. (BABO, 2016, p.15) Russia adheres to a stringent stance, while China exercises caution. India, on the other hand, assumes a multifaceted position and takes pride in its non-aligned policy. Furthermore, Russia endeavors to circumvent institutions under the influence of the United States and the European Union, aiming to mitigate associated risks through the establishment of parallel institutions for managing economic and trade affairs. In contrast, China perceives the current international system as having yielded significant successes, particularly given that three-quarters of its foreign trade transpires with the United States and the European Union

- Political Discord among Founding Members: Intra-BRICS political differences are evident among the founding members. Noteworthy examples include the border conflict between India and China, as well as tensions between Russia and India stemming from Russian-Pakistani military cooperation. Moreover, Russia and China express criticism toward the Quad alliance, perceiving it as an extension of NATO in the Pacific and Indian Ocean, while India is a member of this alliance

These differences have prompted India to gravitate towards closer ties with Washington, as illustrated by India's recent alignment with the United States in opposition to expanding Special Drawing Rights in the International Monetary Fund. It appears that India has taken this stance to counter China's influence within the International Monetary Fund, potentially conflicting with the aspirations of the BRICS countries for Bretton Woods institutional reform and resistance against Western hegemony

Furthermore, disparities persist in the foreign policies of BRICS members. Russia extends a welcoming hand to the idea of expansion, showcasing its intent to highlight the shortcomings of efforts to isolate Moscow and to mitigate the impact of economic sanctions. (BABO, p.26) Conversely, India is disinclined toward expanding the group's membership, harboring concerns about potential support for Beijing from new members and expressing dissatisfaction with its current limited role within the group. India contends that expansion aligns with China's strategy to

expand its sphere of influence, potentially diminishing the roles of Brazil and India. Such contradictions in interests might extend to prospective new members

- Contentious "BRICS+" Formula: Proposed and announced by China in 2017, the "BRICS+" formula seeks to incorporate entire regional groupings into BRICS. These groupings include the Eurasian Economic Union, the South Asian Cooperation Association, the South African Customs Union, and the Common Market for South American Countries. Russia vigorously supports this initiative, primarily for the purpose of bolstering payments conducted in national currencies. This is especially important due to the substantial geographical distances between BRICS countries, which have led to limited intra-trade, owing to high transportation costs. Consequently, countries have sought alternative trade partners in closer proximity. For example, Russia has fostered trade relations with neighboring countries like Pakistan and the European Union, which outperform its dealings with Brazil.

However, some contend that this initiative could exacerbate differences among new BRICS members, particularly given the inclusion of a significant number of countries, many of which are fraught with internal tensions and conflicts within their respective blocs or groupings. These factors could impede the group's functionality

- Political Risks of New Entrants: Certain countries are internally divided regarding BRICS membership. Take Argentina, for instance, which grapples with a divide between those in favor of partnering with China in the "Belt and Road Initiative" and those opposed to it. The latter faction anticipates negative repercussions on Argentina's relations with the United States and Europe upon joining BRICS

Moreover, expansion may embroil the group in new divisions stemming from disputes among new members. For instance, Iran and Argentina, both of which had their requests for membership accepted in 2023 with support from China and Russia, have experienced tensions. Argentina holds Iran responsible for terrorist attacks that occurred on its soil years ago.

- Lack of Clear Rules and Standards for Admission: The declaration issued following the 14th Summit on June 23, 2022, indicated that leaders would continue discussions on admitting new countries based on "full consultation and consensus." However, the group made the membership of the "New Development Bank" open to all countries, not just BRICS members. Consequently, the United Arab Emirates, Egypt, Bangladesh, Uruguay, and Algeria joined.

Furthermore, differences exist among BRICS members regarding the standards required for countries seeking new membership, and no priority candidates have been identified. The issue of new membership necessitates a resolution of several variables, including the weight (size) of countries, regional and organizational representation, and non-economic conditions. For instance, a potential applicant for BRICS membership must not be a member of military alliances with NATO and the United States of America.

Some argue that expanding BRICS membership poses a challenge, as most of the countries listed as potential candidates are borrowers rather than strong shareholders. This presents BRICS members with added challenges in terms of providing economic assistance while offering fewer financial benefits to new member states. Alternative frameworks, such as "circle of friends" or "circle of permanent partnerships" participating in BRICS summits, have been proposed to address these issues. (BABO ,p.26)

In this context, the rationale for the gradual approach to the expansion process becomes evident, particularly since unrestricted membership carries the risk of complicating the decision-making process within BRICS at a time when the group is poised to make enduring strategic decisions.

4. CONCLUSION

The BRICS group presents numerous economic attractions and advantages for countries seeking to join. Notably, member states engage in trade using their local currencies, pending currency unification. Additionally, the development of alternative financial institutions to challenge the dominance of the International Monetary Fund and the World Bank is an appealing prospect for many countries. By becoming part of BRICS, nations can potentially increase the value of their national currencies and reduce dependence on Western financial institutions.

While BRICS represents a vital economic alliance that guarantees its members a degree of financial and economic independence, the expansion issue brings forth several challenges that the group may face in the future if the process of admitting new members is hastily executed. Therefore, a commitment to a gradual process of accepting new members and a precise definition of the criteria for admission are essential to ensure that expansion does not result in ambiguities. Furthermore, expansion should be vertical, involving the deepening of BRICS activities and the adoption of an institutional plan for establishing supranational institutions.

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