

Trade Relations among the BRICS Countries: An Indian Perspective

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In recent years, various steps have been taken to build strong and effective intra-BRICS economic cooperation. Brazil, Russia, India, China, and South Africa have been meeting since 2009 and gained a lot of weightages on different areas of economic relevance. In this course, the contribution of India is very significant. The paper therefore aims to elucidate the bilateral relations of India with its BRICS counterparts. The study begins by stressing the importance of BRICS as a group and its importance in the context of India. The authors hold a descriptive methodology by adopting secondary data from various sources. The paper gives an overview of the individual bilateral relationship of India in terms of trade. Further, the study suggested how a change of policy and infrastructural development can make the relationship of India with BRICS counterparts much stronger and sustainable.

Keywords: BRICS, Brazil, Russia, India, China, South Africa, Bilateral Trade Relations

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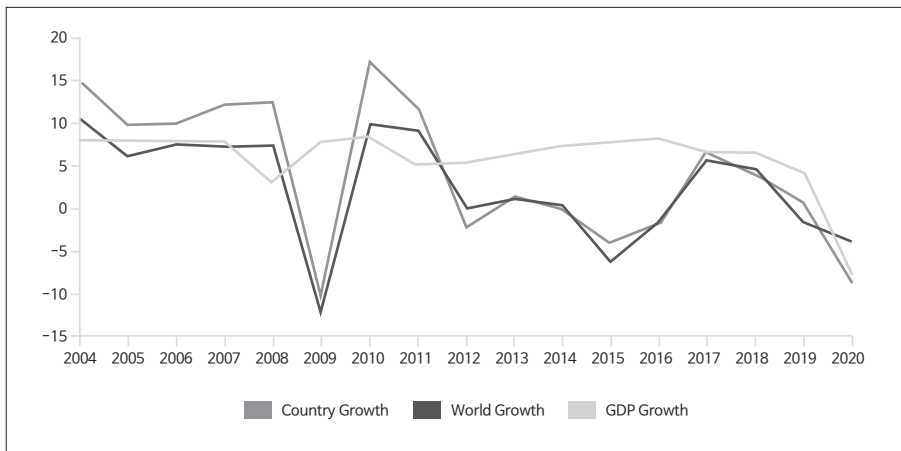
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1. Introduction

In recent, BRICS has been recognized a point at issue in the course of global order transformation as it consists of a 41 percent share of the world population with a share of 24 percent and 16 percent in GDP and world trade, respectively.¹ BRICS comprises the five largest developing countries of the world i.e., Brazil, Russia, India, China and South Africa. The origin of the acronym came from the paper “The World Needs Better Economic BRICs” by Goldman Sachs in 2001, claiming that these economies would be amongst the world’s largest economies in the next 50 years.² Through various initiatives over the years, BRICS nations have formed robust socio-economic relations with each other.

The duration of Covid-19 has posed greater challenges for countries around the world. In this regard, the BRICS countries are not an exception. The need for bilateral and multilateral cooperation at this tough time is also noticed by the BRICS ministers who have started working on restoring the growth and stability of trade and investment relations, facilitated by the World Trade Organization (WTO).³⁴ The BRICS authorities are working on the intra-BRICS innovation and entrepreneurship aspect to achieve a swift economic recovery and further growth across markets.

Figure 1: India’s Country Growth and GDP Growth Compared to World’s Growth⁵



India is a significant part of BRICS. India's country growth is smoother than the world's growth (Figure 1). It has also worked hard for the past few years to further develop its socio-economic relationship with its fellow BRICS countries. This can be easily confirmed by looking at the bilateral relationship it has with Brazil, which is India's largest bilateral partner with a trade value of over USD 8.2 billion and an expectation to make it to USD 15 billion within 5 years. Likewise, during 2020 to support its energy needs India has signed an agreement to 2 million tonnes of Russian crude oil. Further, a growth in the bilateral trade activity was seen between India and South Africa by increasing the scope for more areas like the precious metals industry, pharmaceutical, and automotive.⁶ Against this backdrop, this paper aims to illuminate the trade relationship of India with the other countries of the BRICS group.

2. Discussions

Duggan claimed that emerging markets and developing countries have a role to play in reducing the gap between their actual position in the global system and their ability to participate in the same.⁷ The restriction is mostly because of domestic and international political-economic challenges. Hooijmaaijers studied how Brazil, Russia, India, and China started meeting and working under the format of BRIC countries and in 2011 South Africa joined the format.⁸ The member countries leaders made several pledges for establishing intra-BRICS economic cooperation. He focused on the institutionalization of the BRICS political grouping and an increase in Chinese Outward Foreign Direct Investment (COFDI) in the other four BRICS countries during the stated period. This study showed that even after many efforts the intensification of intra-BRICS economic cooperation is very limited. The COFDI in other BRICS partners is modest and over time in both absolute and relative figures there is no trend of increase over time.

Larionova and Shelepov examined the effectiveness of BRICS from the G20 perspective in terms of emphasizing its role in handling the global financial crisis and cooperation to support and grow financial supervision through reforming international financial institutions.⁹ Maryam and Mittal also analyzed the trade flows empirically between BRICS and India.¹⁰ The authors applied the bilateral revealed

comparative advantage and trade complementarity index to assess the comparative advantage of exports by India to the BRICS members. Their study also applied the gravity model to find the role of selected variables in promoting India's trade with BRICS countries. The authors showed that in agriculture and allied products India would hold a comparative advantage followed by manufacturing and man-made products. The outcome of the gravity model signifies that among the other variables, the GDPs of trading countries and population can explain export, import and total trade flows. Also, distance acts as a major constraint in increasing the trade flows of India with BRICS.¹¹

Mishra et.al. looked into India's trade relations with other BRICS countries in terms of the theoretical justification of the gravity model.¹² The research found that there is a positive relationship between the gross national product per capita of the nation and its trade volume. Variables such as exchange rate, inflation and import-GDP ratio do not play a major role in influencing foreign trade among BRICS nations, while transport cost has a role to play in negative terms. The study recommends that export–import (EXIM) procedures and trade barriers especially through 100 percent duty-free channels should be simplified by India.¹³

Further, to achieve sustainability of trade relationships with BRICS and other countries in the world, India should make technological advancements and enormous infrastructural development. Kubendran analyzed in the short and long run, the trade relations between India and other BRICS countries using Pedroni's cointegration test, Granger Causality Test, Gravity Model using Dynamic Ordinary Least Square and Fully Modified Ordinary Least Square.¹⁴ This study found that there is no causality between India's Imports with other BRICS Exports, while bi-directional causality between India's Exports and other BRICS Imports. GDP, PCGDP, PCGDPD, Exchange Rate, Trade-GDP ratio and Distance showed a significant and positive impact except for inflation, per capita GDP differential and distance, which showed a negative, but significant impact signifying impact on the Indian economy in favourable terms.¹⁵ Also, the author suggested that by promoting make in India, SEZs, EOUs and aggravating second generation reforms, India can strengthen its trade relations with other BRICS countries.¹⁶

3. Bilateral Trade Relations between India and Brazil

BRICS, BASIC, G-20, G-4, IBSA, International Solar Alliance along with part of various multilateral associations like the UN, WTO, WIPO and UNESCO are some of the many platforms where India and Brazil share a very close and many-sided relationship.¹⁷ Over the years, the share of India's trade with Brazil has increased significantly (Table 1). The bilateral trade between India and Brazil has increased by 63 percent, thereby leading India to become the 5th largest trading partner of Brazil.

In 2021, the bilateral trade between India and Brazil increased by 63.5% compared to 2020. Unwrought Aluminium, Textured filament yarn, Pharmaceutical, processed Petroleum products, Agro-chemicals (insecticides, fungicides), and Chemicals are the major Indian exports to Brazil. On the other hand, iron ore and concentrates, chemicals (carboxylic acids), turpentine oils, Crude oil, soya oil, Gold (non-monetary), cane sugar, cotton and gum are the major exports to India from Brazil.¹⁸

Table 1: Trade between India and Brazil (Value in USD Millions)¹⁹

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
EXPORT	3,800.49	3,967.39	4,244.94	6,488.97	9,919.47
%Growth		4.39	7	52.86	52.87
%Share in Total Exports	1.15	1.27	1.45	1.54	2.2
IMPORT	4,406.43	3,074.97	3,015.99	5,713.28	6,672.52
%Growth		-30.22	-1.92	89.43	16.79
%Share in Total Imports	0.86	0.65	0.76	0.93	0.93

Since 2006, India and Brazil have been strategic partners and, in this regard, to identify blocks and to take appropriate actions they have formed Trade Monitoring Mechanism as an institutional mechanism.²⁰ Commitment to economic growth with social inclusion, having a common global vision and shared democratic values are the core of India and Brazil's Trade relations.

4. Bilateral Trade Relations between India and Russia

The bilateral relationship between India and Russia is very old and highly significant after the signing of “Declaration on the India-Russia Strategic Partnership” in 2000.²¹ The impact of the India-Russia relationship can be easily seen in India’s foreign policy, as well.²² People-to-people ties, culture, science and technology, security, defence, politics, trade and economy are the main areas of cooperation between the two countries.²³

Table 2: Trade between India and Russia (Value in USD Millions)²⁴

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
EXPORT	2,389.47	3,017.67	2,655.52	3,254.68	3,146.95
%Growth		26.29	-12	22.56	-3.31
%Share in Total Exports	0.72	0.96	0.91	0.77	0.7
IMPORT	5,840.44	7,093.01	5,485.75	9,869.99	46,212.71
%Growth		21.45	-22.66	79.92	368.21
%Share in Total Imports	1.14	1.49	1.39	1.61	6.47

Table 2 shows that over the years the imports have seen tremendous growth with a percentage of 368.21 percent in 2022-23, while the exports have seen both positive and negative growth from 2018-19 to 2022-23. Due to the Covid-19 pandemic situation and the Russia-Ukraine issue, there has been a vital reduction in the external trade of Russia as it also adopted an import substitution policy. Fertilizers, electrical machinery and equipment and parts thereof, nuclear reactors, boilers, machinery and mechanical appliances; parts thereof, natural or cultured pearls, precious or semi-precious stones, precious metals, and mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes are the top import items in India from Russia.²⁵ On the other hand, Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof, organic chemicals, nuclear reactors, boilers, machinery and mechanical appliances; parts thereof, pharmaceutical products, and electrical machinery and equipment and parts thereof are the top export items to

Russia from India.²⁶

5. Bilateral Trade Relations between India and China

In recent years, China has become India's leading trade partner. It is positive from the perspective of China and the trade imbalance has breached the mark of USD billion. India-China trade relations has boosted since its inception in 2008.²⁷ Table 3 shows the trade between India and China over the past five years.

Table 3: Trade between India and China (Value in USD Millions)²⁸

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
EXPORT	16,752.20	16,612.75	21,187.15	21,259.79	15,306.10
%Growth		-0.83	27.54	0.34	-28
%Share in Total Exports	5.08	5.3	7.26	5.04	3.39
IMPORT	70,319.64	65,260.75	65,212.25	94,570.57	98,505.79
%Growth		-7.19	-0.07	45.02	4.16
%Share in Total Imports	13.68	13.75	16.53	15.43	13.8

For China in 2019, India was the 12th largest trading partner. Due to the Covid-19, a reduction in the level of both exports and imports was witnessed in India-China relations. From India's perspective, one of the biggest advantages for its trade with China is the availability of low-priced goods, while one gravest concern is having the biggest single trade deficit with any nation.²⁹ The increasing trade deficit with China is due to the market access barriers for most of the Indian agricultural products. India is competitive in such areas as pharmaceuticals, IT/IteS, etc. and a narrow basket of commodities, mostly primary, that India exports to China. India's exports to China are mainly of diamonds/ natural gems, copper and cotton, while imports are of fertilizers, organic chemicals, telecom, power related equipment, and machinery.³⁰

6. Bilateral Trade Relations between India and South Africa

The association between India and South Africa is very old since the time of Mahatma Gandhi. Currently, India stands in 5th position as a trading partner for South Africa and India is the 2nd largest trading partner for South Africa. The cooperation between both countries is based on various grounds such as economic, social, developmental, etc.³¹

Table 4: Trade between India and South Africa (Value in USD Millions)³²

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
EXPORT	4,067.20	4,108.17	3,934.20	6,085.29	8,474.42
%Growth		1.01	-4.23	54.68	39.26
%Share in Total Exports	1.23	1.31	1.35	1.44	1.88
IMPORT	6,517.33	6,969.79	7,568.20	10,965.81	10,397.83
%Growth		6.94	8.59	44.89	-5.18
%Share in Total Imports	1.27	1.47	1.92	1.79	1.46

Table 4 shows the trend of India-South Africa bilateral trade over the last five years. Petroleum products, road vehicles and parts, bituminous substances, mineral waxes and mineral oils and products are the major exported items to South Africa from India. Moreover, gold, briquettes, coke, coal, imitation jewellery, precious or semi-precious stones/metals, and articles thereof, and pearls are the major imports from South Africa to India.³³

7. Conclusion

The relationship among the members of BRICS mostly for trade and investment aspects has started mainly in the form of Joint Statements and BRICS Declarations made in various BRICS summits and Trade ministers' meetings. The Global Financial Crisis of 2008 made BRICS realize the importance of trade and investment

in the recovery of the world economy and they started working on different aspects for the same.³⁴ In 2014, the BRICS nations finally decided to work qualitatively on their economic cooperation by adopting proposals such as “BRICS Economic Cooperation Strategy” and “Framework of BRICS Closer Economic Partnership” in order to “promote intra-BRICS economic, trade, and investment cooperation.”³⁵ India along with its BRICS counterparts is working to develop a strong and sustainable relationship. The results of the same are easily visible through the increasing trend of trade values over the years as shown in this essay. If looking at the broad perspective of filling gaps between statements and outcomes, however, it is still wide. There are various reasons for the same including the diplomatic relation between the nations, the current stand on some aspects, ongoing conflict between Russia-Ukraine, and the domestic environment of the countries to be named a few.

Towards enhancing India’s trade relationship with BRICS countries, infrastructure related aspects and policy would play a highly significant role. As starting a business is cumbersome in India compared to various other countries around the world which can be easily seen through its ranking on the ease of doing business is 136th.³⁶ India has taken initiatives over the years to improve the business environment, but most of them are restricted to the metro cities. So, there are opportunities if India could work on its economic potential, which is holding in different parts of the nation. Policy reforms are most needed for improving the procedures in terms of entry, enhanced transparency and matching up to the international legal environment for both investment and trade to fully harness the opportunities and potential which the BRICS nations are providing to India.

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