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New world economic order: A case study of the BRICS

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ABSTRACT
With the influential and remarkable progress through promoting local currency (for de-dollarization), regional foreign direct investment, and regional trade, BRICS economies have emerged, and took a new space in the 21^{st} century. In this paper, the main objective/purpose was to focus on the influence of trade and investment on their economic growth and prosperous development; based on comparative analysis. Moreover, the identification of three steps of upward evolution shows that BRICS role is growing both in trade, investment and service, but replacing also the G-7. For empirical investigation, this study used panel data approach, where the empirical results reveal that the impacts of investment and trade on economic growth in BRICS are positive and statistically significant.

Introduction

The last decade of the 20th century has been marked by the implosion of Soviet-led socialism, the crisis of the welfare state and the Euro-model of social development, with a simultaneous expansion of neo-liberalism as the Anglo-Saxon model of progress and an increasingly aggressive onset of the forces of the new world order on the globe's economic and political scene. The balance of forces in the world has shifted in the favour of the USA led imperialism. Projects of pro-socialist and non-aligned orientation were brushed aside and the united states imposed itself as the only global power with its own project and practice of unipolarism, the new world order and global planetary domination. Notwithstanding the process of globalization, the world system is torn along hostile class and social lines. The contemporary transnational and corporate capitalism, anxious to multiply its profits, is charged with numerous.

However, regionalism has also emerged along-with globalism. China-Russia bi-lateral agreement, India-Brazil-South Africa (IBSA), The BRICS (Brazil, Russia, India, China and South Africa), The Indian Ocean Rim (IOR), and ASEAN+3 partners (include China, India and South Korea) have recently emerged. Venezuela has rightly chosen to create ALBA (Bolivarian Alternative for Latin America and the Caribbean's) and the Bank of the South (BANCOSUR), long before the crisis. But ALBA–an economic and political integration project- has not yet received the support of Brazil or even Argentina. However, BANCOSUR, whose aim is to promote another development. Many other regions in South-east Asia, in Africa or Latin America are actively reorganizing themselves. Can regional integration, while encouraging the emergence of new development poles, constitute a resistance and an alternative?

Global economic recession and instability have been witnessed recently. It has given an opportunity to forge new mutually beneficial partnerships in the fields of economic, trade, energy security, and technology which will ultimately act as engine of economic growth and socio-economic development among the developing countries. The quest for the exploration of the newer paradigm led to the birth of an idea called BRICS- it is about the tremendous force of solidarity, which can help overcome even the biggest challenges confronting the world. It has potential to bridge the technological gap to improve capability, and ensure equal distribution of resources, opportunities and freedom, to abolish foreign currency domination (like dollar and euro) and imperialist military domination, which would ultimately achieve the goal of self-reliance.

Methodology

This research has examined a large body of literature and assembled materials on BRICS, and other regional groupings. The foregoing survey broadly supports the frequent, through usually undocumented, assertion that BRICS was an area had tended to neglect and to which they had made few if any original or significant contributions. Serious debate on development strategy or development model, role of the oligopolist and monopolistic bourgeoisie, and its impact were indeed comparatively few in professional journals and books. Writers who did attempt to grapple analytically with the subject generally limited their comments to a relatively small number of pages.

Background of the BRICS

The BRIC (Brazil, Russia, India, and China) concept launched by Jim O'Neill (Chairman of Investment Bank Goldman Sachs wrote a paper entitled "Building Better Global Economic BRIC in 2001), The BRICS nations - Brazil, Russia, India, China and South Africa - are seen by experts as an economic counterweight to the Western countries. An article in the Beijing Youth Daily states that the group of these emerging countries is "entering into a new phase". The co-operation does not mean that the BRICS are forming another system in global economy to go against the West. It [BRICS] does not challenge the hegemony of the West, but wants to build an independent system - one that is helpful in constructing a new political world order. However, Washington's "unease" over China's closer relations with Latin American nations, the US influence in the region has been on a decline for a long time. The US has no time for Latin America because it is usually busy in the Middle-East, Asia Pacific and Europe. Although Washington wishes to win over the countries in the region, its influence is lacking because

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of China's co-operative projects which are for development purposes only and do not carry ideological factors. Fan Yongming, an expert on BRICS affairs with Fudan University, adds that "the bad-mouthing theory" is a "serious misjudgment" by the West because these emerging economies are on the path of recovery.[1]

Thus, it is true that dominated by skepticism at first, the five emerging economies had become, for a decade, a symbol of change of power in the global economy and an important representative of the developing world in the development and cooperation relations at bilateral, regional and even multilateral level. BRIC has formed in 2001 and subsequent accession of South Africa in 2011, forming the new BRICS. The BRICS encompass over 25 percent of the world's land coverage and 43 percent of the world's population; hold a combined GDP (PPP) of 24,000 billion dollars (as in the last fifteen years more than three times increased), and sharing 21 percent to the world's GDP. BRICS has 44 trillion dollars in terms of foreign currency reserve. BRICS' intra-trade was only 27.3 billion dollars in 2002. It is currently reached at 300 billion dollars and in 2015, it is predicted that the BRICS intra-trade will cross more than 500 billion dollars. BRICS' combined share in international trade is currently 18 percent.[2] Off course, China, India and Russia are the major players. It is predicted that by 2020, US GDP might be only slightly larger than China's GDP. BRICS may account for 41 percent of the world's market capitalization by 2030.

Agendas of BRICS

The BRICS' sixth summit is likely to take place in Fortaleza, Brazil on July 15-16, 2014. The grouping is likely to continue efforts to reform the international financial system where a considerable overbalance exists in favour of the West.

At their meeting in Durban in March 2013, the five countries' leaders announced that a "New Development Bank" will focus on infrastructure investment in developing countries, which, they said, was constrained by "insufficient long-term financing and foreign direct investment." They pledged to make an initial capital contribution to the bank that would be "substantial and sufficient for the bank to be effective in financing infrastructure." A second initiative announced in Durban was the creation of a $100 billion contingent reserve facility to deal with "short-term liquidity pressures."

The BRICS is also looking to move beyond economic cooperation.[3] "The BRICS countries are a group of nations unsatisfied with the international order. The main objective of the BRICS is clear- to change the global order with the United States as the hegemonic power. According to Birle, the five emerging countries seek to permanently upend the power constellations established in 1945 and relativize the US position. "All these countries view themselves as emerging powers with a great future ahead of them."[4]

Counterweight to US dominance

The central contradiction between the BRICS countries and the United States was emerged at the spring meeting of the International Monetary Fund in Washington in April, 2014 when an agreed reform of the IMF failed because of a veto by the US Congress. In 2010, IMF members had agreed to shift voting rights by 6 percent in favor of the developing and emerging countries. The reason: over the past 10 years, BRICS countries increased their share of global gross domestic product from 18 percent to 28 percent.

In Brazil, the veto by the US Congress caused an outcry, further deteriorating the already strained relations between the two countries. Following the surveillance scandal revealed by former NSA contractor Edward Snowden, Brazilian President Dilma Rousseff distanced herself from Washington, promptly cancelling her planned meeting with US President Barack Obama in September 2013.

The most recent conflict emerged between Russia and the EU and the USA that is the Ukraine crisis which is accelerating the strategic orientation of Brazil toward Asia and Africa. It appears the greater Moscow's isolation, the better the coordination among the BRICS members. Neither Brazil nor China, India or South Africa has commented on the events in Kyiv or Crimea. The principle of nonintervention has clearly welded the otherwise heterogeneous countries together.

Rousseff's predecessor Luiz Inacio Lula da Silva, in office from 2003 to 2011, had established a counterweight to the political dominance of the US in Latin America by expanding the south-south cooperation. Growing trade among emerging markets resulted in China replacing the US as the primary buyer of Brazilian products in 2009. Since 2012, the Chinese have also been Brazil's most important import partner.

For Rousseff, the political and strategic cooperation with China is even more important than the growing trade between the two countries. Brazil views the participation of Chinese President Xi Jinping at the BRICS summit in Fortaleza as an absolute priority. His official visit is the first of a Chinese head of state in Brazil and in the region. After the BRICS summit, a meeting is planned with the heads of state of the Community of Latin American and Caribbean States. For Brazil, the BRICS countries are a platform to benefit as a mediator and reformer on the international stage."[5]

Advantages of BRICS

Market closeness, similarity in products and processes and business culture affinity offers investors from developing country greater opportunities in terms of trade and investments. The WTO Ministerial Conferences and sustained setback in the implementation of the Doha development agenda demonstrated the urgent need for a better representation of the developing country's interests in the international trading system and great solidarity amongst our countries to achieve this goal.

In this regard, intensify South-South interaction and collaboration will certainly help in having commonality of

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[1] Source: BBC News 'China media: BRICS summit', 14 July, 2014

[2] Sources: BRICS Nations and the IMF' 2014 report, the Xinhua news agency, The Beijing Times, and BBC Monitoring reports and analyses news from TV, radio, web and print media.

[3] Vyacheslav Nikonov, State Duma Deputy and Chairman of the Russkiy Mir Foundation said at a conference held by Russia's National Committee for BRICS Studies in September 2013, military and political cooperation within BRICS is a distinct possibility. He expressed confidence that, although the group was established to pursue economic development before anything else, the BRICS member nations could now expand the range of their discussions.

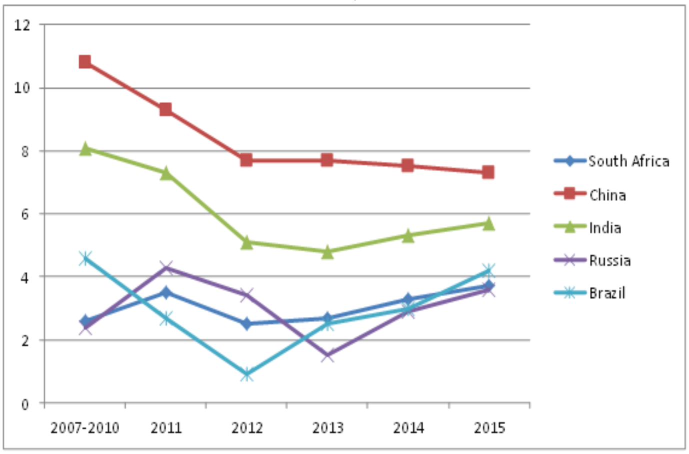
[4] See Peter Birle, head of research at the Ibero-American Institute (IAI) in Berlin in the 15th Stuttgarter Schlossgespräch, an annual conference involving a panel of international social science, culture and politics expert.

[5] Cristina Pecequilo, a political scientist at the University of Sao Paulo, adding that she doesn't view Russia's G-8 exclusion as so tragic. "The emerging countries are better represented by BRICS than by the G8.

approaches to major international issues like environmental problems, UN reforms, reform in the international financial system, and dealing with the global financial crisis. It will also help in eradicating poverty, deprivation, malnutrition, and solving problems of unemployment. In this context, the BRICS can play a significant and effective role in the ASEAN region, Asia-Pacific, Africa and Latin America. BRICS promotes and facilitate their vast market access to stimulate South-South trade.

GDP Performance Of The BRICS

Chart 1. BRICS Economic Performance in terms of GDP (in %)



Growth Slowdown in the BRICS

In many large developing countries, including the BRICS (Brazil, the Russian Federation, India, China and South Africa), economic growth has weakened considerably over the past two years and is now well below the pre-crisis level. For 2013, weighted gross domestic product (GDP) growth in the BRICS is projected at 5.6 percent, down from an annual average of about 8 percent during the period 2000-2008.

An important question is how much of the recent slowdown in these emerging economies is cyclical and temporary, and how much is structural and longer-term. The former implies that growth in these economies could return to the same high growth paths they enjoyed prior to the global financial crisis, once the cyclical conditions (such as external demand from developed countries) improve. The latter, on the other hand, suggests that these economies would, in the longer-term, face a “new normal” growth path that is notably slower than before the crisis.

A standard growth decomposition exercise for the BRICS for the period 1996-2012 can reveal some interesting features about the growth deceleration in these countries. By a production function approach, GDP growth can be decomposed into the contributions from three sources: growth in labour inputs, accumulation in capital, and increase in total factor productivity (TFP)—a catch-all category that measures the overall efficiency of the economy in transforming labour and capital into output. As illustrated in the figure below, most of the decline in GDP growth triggered by the eruption of the global financial crisis of 2008 can be attributed to a drop in the growth of TFP. However, the contributions from growth in labour (measured as total employment (quantity) adjusted for changes in the composition of labour) and capital have also been on a downward trend in recent years. One caveat about this exercise is that since TFP is estimated as the residual, a large part of its fluctuation in the aftermath of the financial crisis may reflect a cyclical movement caused by changes in aggregate demand, rather than a structural change in technological advance or other supply-side factors.

A number of recent studies, with various more sophisticated approaches, including structural modelling and time-series analysis techniques, have offered more information. Estimates of potential output and output gaps (the gap between actual GDP growth and potential growth) in the BRICS suggest: First, prior to the crisis, from 2005-2008, actual GDP grew faster than potential output, resulting in a significant positive output gap at the onset of the crisis. The rising output gap was associated with a marked increase in inflation in all of these economies, except Brazil. The output gap was probably largest in the Russian Federation and South Africa. Second, potential GDP growth seems to have declined in the aftermath of the crisis in all five economies, with the decline most pronounced in China and India. And third, small negative output gaps are currently estimated for these economies, with the largest gap in India.

The estimated decline in the potential growth, combined with relatively small negative output gaps, suggests that the pace of economic expansion in the BRICS will remain notably below the pre-crisis period. A moderate cyclical upturn is expected in the near term, particularly in India, but more lasting progress will depend on policies and reforms to remove supply-side bottlenecks to growth. In most economies, this will require increased efforts to stimulate capital accumulation, promote technological advances, strengthen human capital and improve the functioning of labour markets.

India and South Africa record trade deficits and lack of competitive advantages, while China and Brazil, and to a lesser extend Russia, have large trade surpluses and obvious comparative advantages. Further, according to UNCTAD statistics online reports; until the economic crisis, Russian exports followed by those of Brazil and China have significantly exceeded import flows. As a result, in this first period, total trade of countries showed the uneven development within the BRICS group.

If in 1997, the BRICS share in world trade in goods was 6 percent, since 2004 the five states have maintained relatively stable growth in the range of 20-30 percent. .The analysis of data from the period 2001-2007 reflects the best the characteristics and national trade level in the BRICS. In these years, the five countries have seen the flowering stage through a high growth trend, especially in living standards (India), meaning a strong development momentum. Also, we find that the growth rate of trade has maintained a high level until 2008 – when the economic crisis started. As an example only, the growth of China and India compared to other countries was faster, followed by that of Russia, South Africa and Brazil. The explanation for China′s case consists in the early process of the gradual reforms that is the introduction of the policy of “openness” in 1978 compared to Russia (1991) and Brazil (1994).

BRICS states are increasingly dependent on foreign trade. From the perspective of the experts of the World Bank shows that in descending order of export dependence may be mentioned China, South Africa, Russia, India and finally, Brazil. Regarding imports, the situation looks like this: South Africa, China, India, Russia and Brazil. As a consequence, the large commercial dependence leads to an irrational domestic production, consumption and foreign trade structure, affecting GDP because of trade volatility (case of South Africa).

Impact of Foreign Direct Investment

Multinational companies (MNC), from the highly industrialized countries, shifted to emerging markets such as Brazil, China, and India (4000 MNCs operates). But on the other hand these emerging countries (BRICS) private corporations, with highly subsidies from China (700 Corporations operates in Africa), India, and Russia, are operating abroad. Moreover, subsidiaries in BRICS evolve in parallel with expansion of group and its increasing importance in the global market.

Therefore, we can say that expansion abroad is an opportunity to acquire existing capacities in case of a MNC that operate on a developed market.

Chart-1. FDI inflows (2010-2012) (billions in USD dollars)

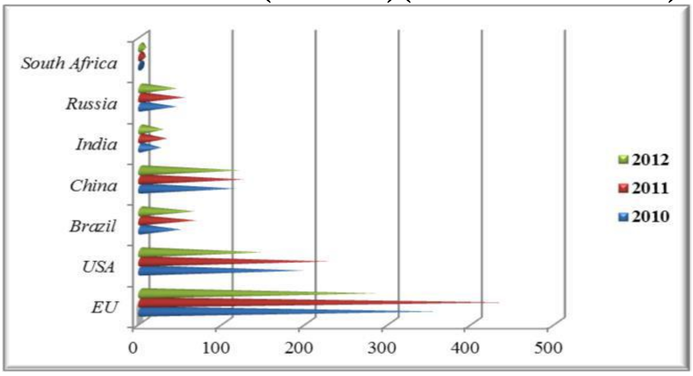


Table 1. Intra-BRICS balance (outflow-inflow) of FDI in US$ million

	Brazil	China	India	Russia	South Africa
FDI in other BRICS	2628	41133	22082	12365	10013
FDI received from other BRICS	17806	25891	20286	15637	8601
Net result	-15178	15242	1796	-3272	1412

*Source: Greenfield Investment Data from the Financial Times Database

Table 2. Bilateral FDI among the five countries (January 2003-July 2013 in US$ million)

Source Country	Brazil	China	India	Russia	South Africa	Total
Brazil		1.613	462	528	25	2.628
China	12.769		14.273	12.272	1.818	41.133
India	3.568	10.622		2.511	5.381	22.082
Russia	117	5.895	4.976		1.377	12.365
South Africa	1.352	7.761	574	326		10.013
Total	17.806	25.891	20.286	15.637	8.601	88.220

*Source: Greenfield Investment Data from the Financial Times Database

The results, in various tables as given above, show that FDI inflows in BRICS countries at the beginning of 21st century represented with foreign trade an essential part of their development. There are, however, a few exceptions such as Brazil (between 2001-2003) or South Africa (2002-2003 and 2007) when the growth rate of GDP was due in higher share to trade and less FDI. This situation came amid of some domestic political and economic factors (crisis, disagreements between the public and private sectors, existence of hard rules, lack of economic stability, partial opening of trade, high labor costs). As with trade, FDI flows in the BRICS countries are different from state to state and from one period to another.

FDI inflows in BRICS can be identified two groups of countries, some focusing on the manufacturing sector (China and Brazil) and energy (Russia), and the second – on the services (India, with emphasis on communication and information) and Russia). China and India followed by Russia, Brazil and South Africa. India, for example, attracted among the most investments in the first period of 21st century due to major reforms on opening the economy towards the world markets. India and China have the advantages of cheap labour costs, and low country risk. The increase of the FDI flow in China is mostly due to its large domestic market, and close international trade ties with OECD countries. FDI flows at the end of the 20th century aroused dissatisfaction and concern among developing countries who received a lesser percentage of global investments. Regarding investment abroad, these were seen in the BRICS like some tools of access to technology and natural resources (the case of China). In these circumstances, we consider that before the 2008 financial crisis, the rapid growth of BRICS countries accounted a major share of global economic growth.

Compare between the G-7 and the BRICS

Since 2008, the international trade of developed nations saw a decline (from 5.53 percent in 2007 to 5.05 percent in 2010), while emerging economies continued trend towards development and growth (2.55 percent in 2007 and 3.13 percent in 2010).[6]

However, the onset of the world economic crisis has affected BRICS members, through to a lesser extent. Both import and export volume fell in Russia (with 65 percent), Brazil (52 percent), China (41 percent), South Africa (32 percent) and India (23 percent). But compared to G-7, the impact of the crisis on BRICS countries in terms of trade is not dramatic.[7]

However, there are changes regarding the aids received in the past and as a result, previous strategies and guidelines were now directed towards the internal market, stimulating domestic consumption, and the consolidation of the economy to cope with the negative impact of the recession in the West.[8]

Compared to other emerging countries, the Chinese economy continued its upward trend (with 8 percent /year). Thus, we believe that China is an engine of global economic growth, alleviating somewhat the regress of rich world. As demand for consumer goods, the investments declined rapidly in almost all industrialized countries once with the economic crisis, which is seen in the figure below. It can notice a sudden reduction in FDI inflows in developed countries and a slow but steady increase of foreign capital in BRICS. The major cause of reducing the flow of FDI into the latter category, compared to the period 2002-2007, is due to neuralgic problems existed in rich countries - the most important investors in Emerging countries. Compared with the countries of the group, Russia was the most affected by the crisis and recession that followed, while other members have manipulated the economic contraction more easily. However, the decision to invest remained a long-term strategy not only in China but also in other BRICS states.

China-Russia Economic Corridor for De-Dollarization

Russia has just entered on May 21, 2014 into an agreement with China to the tune of US$400 billion for supplying gas to the latter over the next thirty years. The significant feature of the deal, however, is that the payment will not be made in US dollars. This substitution of other currencies for the reserve currency which in today's world consists essentially of the US dollar is what the Russians are calling "de-dollarization". Therefore "de-dollarization" can become a prelude to a new conjuncture entailing severe crisis and destabilization in the capitalist world, and leading to a loss of US hegemony.

[6] Popa, Diana., Carp, Lenuta.(2013).The influence of foreign trade and foreign direct investment on BRICS economic growth, Economy and Business Economics. Romania.
[7] Ibid.
[8] Ibid.

Growth of World output 2007-2015

Chart 3

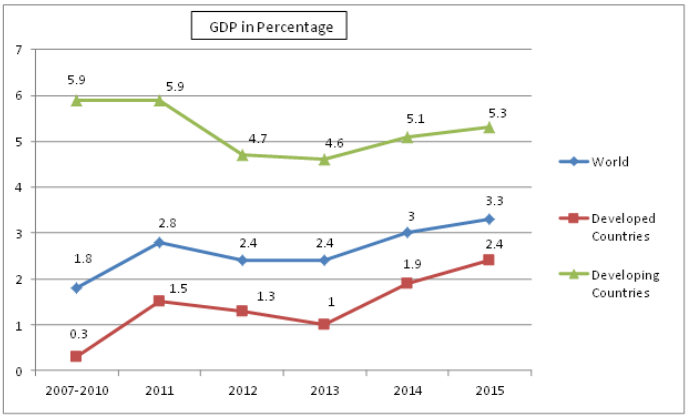


Chart 5

GDP in Percentage

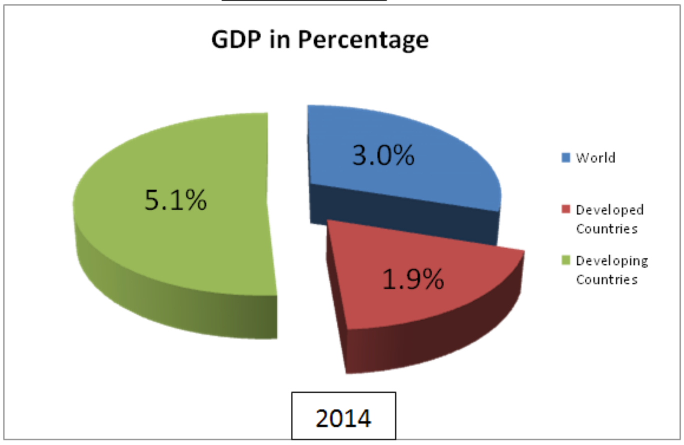
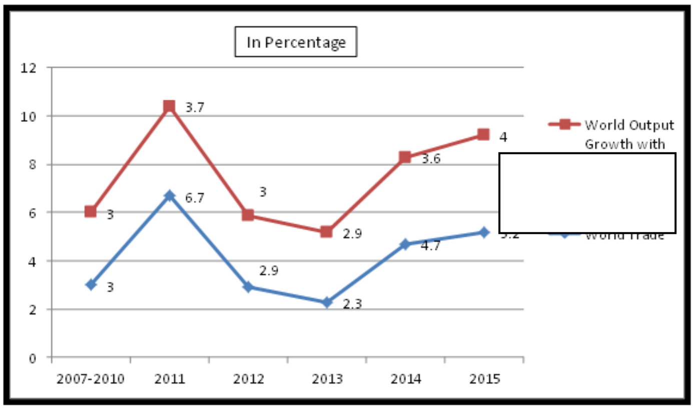
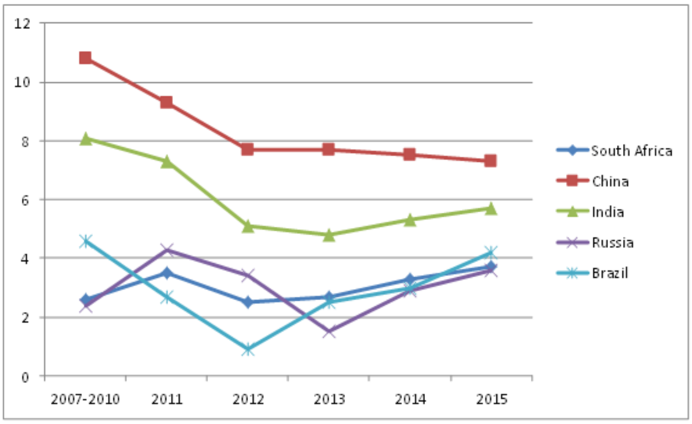


Chart 6



Economic Development in Percentage

Chart 8



The Evolution of the International Trade of Emerging Economies

Starting with the mid-2010, BRICS countries have tried to regain the pre-crisis growth trend that was been lost. Most eloquent proof can be gleaned from the following analyses made both in trade in goods and trade in services. An analysis of international trade in goods of the BRICS countries is presented in Table II. We observe that all members have registered a growing trend in the post-crisis years. China seems to be the largest exporter and importer of goods in this period, followed by Russia, India, Brazil and South Africa in terms of exports and by India, Russia, Brazil and South Africa – with respect to imports.

The international organizations statistics show an increase from year to year, China is the leading exporter and importer among the BRICS. However, it recorded large trade deficits and as a result, services continued to have a small share in trade. The same feature is valid for Russia and Brazil. In the case of India, the services accounted for approximately 37 percent of its total exports (goods + services) and 24 percent of its total imports – higher values than those recorded by the U.S.A.[9]

According to Duan, there are three factors that determine the industrial patterns of FDI inflows in BRICS namely: courses of development, presence of resources and business environment. For this reason, we consider that in Brazil, Russia and India, the tertiary sector has attracted most FDI in recent years, the primary sector – only a few millions of dollars, and the secondary one was located in the middle. China's secondary sector was and remains dominant in terms of attracting foreign capital, what cannot be said about the primary and tertiary.

Compared with other members, Russia does not attract many FDI. A number of barriers, such as administrative ones, infrastructure issues and enforcement of intellectual property rights are major obstructions to FDI inflows (see chart-1).

However, studies have shown that a relationship exists between GDP and FDI inflows of BRICS states that can be approximated to a linear equation with a positive slope.[10] Further, despite the domestic obstacles, the economies of Brazil, Russia, India, China and South Africa seem to form the world's largest economic group at the mid-twentieth century on the increasing attraction of FDI flows and their rapid development, now continue their efforts in the 21st century.

Moreover, the years preceding the crisis – considered among the most significant for emerging economies – have shown that there are real chances and BRICS could become as big as the G-7 by 2032.[11] Subsequently, the global economic crisis has pointed out that while rich economies faced a sharp drop among all macroeconomic indicators, the five members continued their upward trend of yesteryear (it is true, in lower percentages). In this context, the possibility for China to become as large as the U.S.A. by 2027 and even exceed it by 2050 became a heated and controversial subject of debate among researchers.

The BRICS growth potential in future and the facilitation of foreign trade and engaging in FDI depend most heavily on

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[9] Ibid.

[10] S. Nandi, „Comparative analysis of Foreign Direct Investment trends in emerging economies," in International Conference on Emerging Economies – Prospects and Challenges (ICEE-2012), Maharashtra, IN, 2012, pp. 230-240

[11] J. O′Neil and A. Stupnytska, "The long-term outlook fot the BRICs and N-11 post crisis," Global Economics Paper, No. 192, Goldman Sachs, Dec. 2009.

institutional quality of these economies. For this reason, there are necessary a series of domestic measures related to outwards openness, removing protectionism, regulation, shaping a business environment conducive to development et cetera. Once these practices are implemented, the chances that forecasts of Goldman Sachs to come true, are very high.

World gross product (WGP) is estimated to have grown by 2.1 percent in 2013, lower than the baseline forecast of 2.4 percent in 2013, but still better than the alternative pessimistic scenario presented in that report. Underperformance in the world economy was observed across almost all regions and major economic groups. Most developed economies continued struggling in an uphill battle against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. A number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new headwinds during 2013 on both international and domestic fronts.

Some signs of improvements have shown up more recently: the euro area has finally come out of a protracted recession, with gross domestic product (GDP) for the region as a whole returning to growth; a few large emerging economies, including China, seem to have backstopped a further slowdown and are poised to strengthen. Premised on a set of assumptions (box I.1), WGP is forecast to grow at a pace of 3.0 and 3.3 percent for 2014 and 2015, respectively.

While the average growth of middle-income countries continues to be the highest, growth for the least developed countries (LDCs) is expected to strengthen in 2014-2015. Among developed countries, the United States of America is estimated to grow at a meagre pace of 1.6 per cent in 2013, significantly lower than the 2.8 per cent growth of the previous year. Fiscal tightening and a series of political gridlocks over budgetary issues during the year have weighed heavily on growth. Monetary policy has been extremely accommodative, but it has had greater effect on boosting equity prices than on stimulating the real economy. Expectations arising in mid-2013 about the possible tapering of the quantitative easing programme caused some jitters in financial markets, pushing up long-term interest rates. A moderate improvement earlier in 2013 in such areas as housing and employment lost momentum towards the end of the year.

In the outlook, assuming that the future unwinding of the monetary easing will be smooth, GDP is expected to increase 2.5 and 3.2 percent for 2014 and 2015, respectively. Risks remain on the downside, however, particularly because political wrangling over the budget may linger for several years. Western Europe emerged from recession in the second quarter of 2013, led by net exports and, to a lesser extent, private and public consumption, but investment remained weak and unemployment stood elevated. GDP is expected to grow by 1.5 and 1.9 percent in 2014 and 2015, respectively. Growth remains weak due to a number of factors: fiscal austerity programmes, while reduced in intensity, remain a drag; intraregional demand is still exceptionally low; and extra regional demand has slowed. Lending conditions remain tight for some countries, particularly for small- and medium-sized enterprises (SMEs).

Considerable diversity is found across countries, with the UK and Northern Ireland showing relatively strong growth, followed by Germany, while the crisis countries remain in very weak positions, with Cyprus, Greece and Portugal expected to stay in recession in 2014. Many of the new European Union (EU) members in Eastern Europe remained in a sustained recession in the first half of 2013, but the situation improved in the second half of the year, with business sentiment and household confidence strengthening in response to the return to growth in Western Europe. For example, the automotive industry in Central Europe showed signs of an upturn and retail sales also increased in the Czech Republic and Poland. The aggregate GDP growth for the region is estimated to be 0.5 percent in 2013, and is forecast to strengthen moderately to 2.1 percent in 2014 and further to 2.7 percent in 2015.

Japan is estimated to grow by 1.9 percent in 2013, boosted by a set of expansionary policy packages, including fiscal stimulus and large-scale purchases of assets by the central bank. Fixed investment has been a key driver of growth, as a number of public construction projects have been financed by the supplemental budget. The Government is also expected to introduce another package targeting structural reforms soon, but the effects are not certain. Meanwhile, the anticipated increase in the consumption tax rate over the next two years is expected to curb growth. GDP is forecast to moderate to 1.5 percent in 2014.Regarding other developed countries, GDP in Canada is estimated to grow at 1.6 percent in 2013, and is expected to grow by 2.4 and 2.8 percent for 2014 and 2015, respectively. Residential construction was a positive contributor to GDP growth in 2013, but the pace of construction is near a maximum. GDP in Australia is estimated to grow by 2.6 per cent in 2013 and is forecast to grow by 2.8 percent in 2014.

While export growth will remain solid, investment in the mining sector is expected to peak in 2014. Growth in government consumption and public investment will decelerate. GDP in New Zealand is estimated to grow by 2.6 percent in 2013 and is forecast to grow by 2.8 percent in 2014, driven by growth of exports to Asian markets.

Among developing countries, growth prospects in Africa remain relatively robust. After an estimated growth of 4.0 percent in 2013, GDP is projected to accelerate to 4.7 percent in 2014. Growth prospects are expected to be supported by improvements in the global economic and regional business environment, relatively high commodity prices, easing infrastructural constraints, and increasing trade and investment ties with emerging economies. Other important factors for Africa's medium-term growth prospects include increasing domestic demand—especially from a growing class of new consumers associated with urbanization and rising incomes—and improvements in economic governance and management. A moderate growth recovery in 2014 in emerging and developing countries, led by China, and projected improvement in major developed economies should also stimulate growth in Africa, through increased trade, investment and capital flows. After a notable slowdown in 2011-2012, economic growth in East Asia stabilized at a moderate level in 2013. The region continues to be adversely affected by relatively weak external demand from developed economies, as well as an adjustment to slower growth in China. The average growth of the region is estimated to average 6.0 percent in 2013, almost the same pace as 2012. A moderate pickup to 6.1 percent is forecast for 2014 and 2015, mainly driven by a gradual recovery in export growth amid improving conditions in developed countries. In most East Asian economies, private consumption and investment will continue to expand at a solid pace, supported by stable labour market conditions, low inflation and fairly accommodative monetary policies. Fiscal policies will remain moderately expansionary and continue to provide support for growth.

Growth in South Asia remains lacklustre as a combination of internal and external factors hamper activity, particularly in the region's largest economies, such as India, Iran and Pakistan. Growth is estimated to be 3.9 percent in 2013, nearly the slowest pace in two decades. Growth is forecast to pick up moderately to 4.6 percent in 2014 and 5.1 percent in 2015, supported by a gradual recovery in domestic demand in India, an end to the recession in Iran and an upturn in external demand. However, in most economies, growth will likely remain well below the level prior to the global financial crisis. Private consumption and investment are held back by a wide range of factors, including energy and transport constraints, volatile security conditions and macroeconomic imbalances.

Western Asia is estimated to grow by 3.6 percent in 2013, and will accelerate to 4.3 percent in 2014. While the member countries of the Gulf Cooperation Council (GCC) have been on a stable recovery path, continuing political instability, social unrest, security incidents and geopolitical tensions have hampered a number of other economies in the region. The Syrian crisis has been impacting the neighbouring countries in a multifaceted way. The subdued cross-border economic activities—including trade, investment and tourism—between GCC countries and the rest of Western Asia continued to fail to bring intraregional positive spillover effects. The stagnation of private capital inflows put Jordan, Lebanon and Yemen under moderate foreign exchange constraints. Turkey continued to face financial pressures, with its currency depreciating and interbank interest rates rising as a result of the decline in international capital inflows.

Growth in Latin America and the Caribbean decelerated in 2013, to a pace of 2.6 percent, but is forecast to improve to 3.6 and 4.1 percent in 2014 and 2015, respectively. In South America, Brazil is still growing at a subdued pace, curbed by weak external demand, volatility in international capital flows and tightening monetary policy. The expected improvement in the outlook will depend on strengthening global demand. Private consumption has been supportive of growth in many South American economies. Growth in Mexico and Central America is expected to accelerate in 2014-2015, supported by better performance of manufacturing exports and stable domestic demand, as well as structural adjustment. Growth in the Caribbean has been hampered by weak external demand for the tourism sector in particular and weaker commodity prices, but is expected to strengthen in the outlook.

Among economies in transition, growth in most economies of the Commonwealth of Independent States (CIS) decelerated in 2013, curbed by weak exports and external financing constraints, supply-side bottlenecks, and weak consumer and business confidence. Growth in the Russian Federation weakened further in the first half of 2013, as industrial output remained weak and investment became a drag on growth. The economic slowdown eventually affected previously resilient consumer confidence and led to weakening retail sales growth. The weakness in the Russian Federation has had a negative impact on its neighbours in the CIS through trade, investment and remittance channels. In the outlook, structural problems such as sluggish energy sector expansion, capacity constraints and weak investment will prevent an acceleration of growth to pre-crisis levels.

Growth in South-Eastern Europe has improved in 2013, but growth is expected to remain marginal in the near term, fluctuating between 1 and 2 percent, which is insufficient to address the region's long-standing needs for reindustrialization, increased labour force participation and reduction of excessively high unemployment rates. In the outlook, the external environment for those countries is expected to improve, including the terms of access to external finance. With easing credit conditions, investment is set to recover gradually in 2014-2015, along with strengthening private consumption. GDP growth is projected to accelerate to 2.6 percent in 2014 and 3.1 percent in 2015.

International Trade Flows Remain Sluggish

International trade as the engine for global growth has shifted to a low gear over the past two years. After growing at a sluggish pace of less than 3 per cent in 2012, as measured by the volume of world exports, international trade flows are estimated to have grown by 2.3 per cent during 2013. Notably, the ratio between the growth of world trade and the growth of global output is at a historical low. While protracted anaemic import demand from major developed countries can explain part of the cyclical downturn in trade activity, the lack of any progress in multilateral trade negotiations over the past decade may have reduced the momentum in creating new trade flows in the world economy.

On the other hand, South-South trade is still demonstrating more dynamic patterns and becomes a major driver for the growth of international trade as a whole. The feedback effects of slow international trade growth have in turn dragged down the growth of global output. In the outlook, international trade is expected to pick up the momentum gradually, growing at 4.7 and 5.2 percent in 2014 and 2015, respectively.

Econometric Model and Empirical Results Interpretation

The main focus of the present study is to empirically explore impacts of foreign direct investment and trade on economic growth performance in the context of BRICS countries. The data uses for empirical investigation purpose covers the period from 1993 to 2012. For this study panel data have been used and the time period selected based on the availability of data and obtained from the World Development Indictors (2014).

In our proposed econometric model, GDP per capita (current US$) is dependent variable, where explanatory variables are net inflows foreign direct investment (current US$), and exports of goods and services. The data used are in natural log form. The following proposed econometric model is to be used, which can be written as below:

$$\ln G_{it}=\gamma_0+ \gamma_1 FDI_{it}+ \gamma_2 EXP_{it}+ \varepsilon_{it} \qquad (1)$$

Where, $\varepsilon_{it} = w_{it}+\mu_{it}$

While, γ_s in equation (1) signifies the estimated coefficients of different explanatory variables, i and t denote the i^{th} country and the t^{th} time period, respectively (i = 1,2, …, N; t = 1,2,…, T). Likewise, in equation (1) G_{it} represent GDP per capita; FDI_{it} is net inward foreign direct investment in current US$, EXPit is exports (trade) and ε_{it} is stochastic term. Moreover, the stochastic term ε_{it} is contained w_{it} which is time invariant and accounts for any not observable singular source country-specific effect which is not included in the econometric model and μ_{it} is supposed to be white noise (Kimino *et al.* 2007). Furthermore, equation (1) states that the impacts of FDI inflows and exports on economic growth are expected to be positive in the study.

In the present study for empirical enquiry, a balanced panel data set of 20 years is used for five countries of BRICS over the period from 1993 to 2012.

For the parameters estimation purpose, the Panel method is employed because it is reasonably suitable for this kind of experiential analysis. The Hausman's specification test (Hausman, 1978) is utilized for choice of random-effects or fixed-effects model (Greene, 2008). In the present study, the Hausman's test signifies that random-effects model is better over the fixed-effects model.

Table 3. Chinese FDI into other BRICS

South Africa (2004-2013)	%	Brazil (2003-2013)	%	Russia (2003-2013)	%	India (2003-2013)	%
Metals	37.0	Metals	27.4	Minerals	1.4	Minerals	16.0
Automotive OEM	23.4	Automotive OEM	23.6	Automotive OEM	24.9	Metals	46.5
Chemicals	13.7	Food & Tobacco	22.4	Real Estate	22.1	Engines & Turbines	21.0
Building & Construction Materials	12.2	Communications	13.7	Metals	9.8	Communications	11.4
Foods & Tobacco	3.6	Financial services	3.5	Coal, Oil, and Natural Gas	7.7	Consumer Electronics	6.6
Communications	3.5	Industrial Machinery, Equipment & Tools	2.4	Building & Construction Materials	5.9	Industrial Machinery, Equipment & Tools	3.5
Consumer Electronics	3.0	Transportation	1.9	Chemicals	5.1	Real Estate	3.1
Financial services	1.0	Coal, Oil, and Natural Gas	1.7	Paper, Printing & Packaging	4.9	Automotive OEM	2.7
Transportation	1.0	Alternative/Renewable Energy	1.2	Industrial Machinery, Equipment & Tools	3.9	Ceramics & Glass	1.0
Industrial Machinery, Equipment & Tools	0.5	Engines & Turbines	0.5	Wood product	3.5	Textiles	0.9
Engines & Turbines	0.5	Paper, Printing & Packaging	0.4	Ceramics & Glass	2.4	Non-Automotive Transport OEM	0.7
Software & IT services	0.4	Plastics	0.2	Financial services	2.2	Software & IT services	0.5
Medical Devices	0.1	Business Machines & Equipment	0.2	Alternative/Renewable energy	2.9	Business services	0.5
		Automotive components	0.2	Communication	1.7	Automotive components	0.4
		Non-automotive transport OEM	0.2	Consumer electronics	1.2	Business Machinery & Equipment	0.3
		Consumer electronics	0.1	Automotive components	0.8	Financial services	0.2
		Consumer products	0.1	Electronics components	0.8	Electronic components	0.2
		Software & IT services	0.1	Transportation	0.6	Plastics	0.1
		Business services	0.0	Beverages	0.2	Medical Devices	0.0
		Medical Devices	0.0	Pharmaceuticals	0.2	Consumer products	0.0
			0.0	Business services	0.2		
				Medical Devices	0.0		

*Source: Greenfield Investment Data from the Financial Times Database

Table 4. Indian FDI into other BRICS

Brazil (2003-2013)	%	China (2003-2013)	%	Russia (2003-2013)	%	South Africa (2003-2013)	%
Alternative/ Renewable Energy	31.8	Automotive OEM	19.7	Coal, Oil and Natural Gas	26.1	Coal, Oil and Natural Gas	50.4
Metals	30.9	Financial services	17.4	Automotive OEM	17.4	Alternative/Renewable Energy	15.8
Automotive OEM	14.5	Software & IT services	17.3	Pharmaceuticals	17.0	Hotels & Tourisms	6.1
Software & IT services	6.0	Transportation	8.4	Financial services	6.3	Metals	1.0
Industrial Machinery, Equipment & Tools	4.3	Coal, Oil and Natural Gas	7.2	Chemicals	5.3	Software & IT services	5.5
Pharmaceuticals	2.9	Hotels & Tourism	7.2	Metals	4.8	Automotive OEM	4.7
Engines & Turbines	2.1	Metals	3.6	Communications	4.5	Rubber	2.4
Food & Tobacco	1.6	Automotive	2.6	Software & IT services	3.9	Financial services	2.3
Plastics	1.5	Components	2.6	Consumer products	3.0	Industrial Machinery, Equipment & Tools	2.2
Financial services	1.4	Business services	2.3	Food & Tobacco	2.9	Biotechnology	1.3
Non-Automotive Transport OEM	2.3	Engines & Turbines	1.3	Plastics	2.2	Plastics	1.0
Business services	1.2	Consumer products	1.7	Hotels & Terrorism	2.2	Business services	0.4
Automotive components	0.4	Industrial machinery	1.3	Ceramics & Glass	2.0	Consumer products	0.5
Rubber	0.2	Equipment & Tools	1.3	Industrial Machinery, Equipment & Tools & Glass	1.6	Automotive components	0.4
Chemicals	0.2	Plastics	1.3	Textiles	0.6	Ceramics & Glass	0.3
Consumer products	0.3	Building & Construction Materials	1.3	Business services	0.2	Engines & Turbines	0.2
		Chemicals	0.7	Electronic components	0.1	Leisure & Entertainments	0.1
		Communications	0.6			Communications	0.1
		Pharmaceuticals	0.5			Minerals	4.9
		Leisure & Entertainment	0.4				
		Electronic component	0.3				
		Food & Tobacco	0.3				
		Medical Devices	0.3				
		Textiles	0.2				
		Consumer Electronics	0.6				
		Semiconductors					
		Non-automotive Transport OEM					

*Source: Greenfield Investment Data from the Financial Times Database

Table 5. Russian FDI into other BRICS (in %)

Brazil (2009-2013)		China (2003-2013)		India (2003-2013)		South Africa	
Coal, Oil and Natural Gas	51.1	Coal, Oil and Natural Gas	34.6	Coal, Oil and Natural Gas	53.1	Metals	72.8
Financial Services	21.4	Transportation	22.6	Metals	10.9	Minerals	19
Transportation	15.1	Financial services	13.1	Financial Services	6.1	Aerospace	3.1
Software & IT services	5.1	Chemicals	8.0	Real Estate	5.7	Coal, Oil, and Natural Gas	2.2
Textiles	4.9	Automotive OEM	7.0	Transportation	5.7	Financial Services	1.4
Industrial Machinery, Equipment & Tools	2.4	Minerals	4.0	Industrial Machinery, Equipment & Tools	5.4	Software & IT Services	0.8
		Aerospace	3.8	Aerospace	3.9	Communications	0.6
		Metals	1.4	Automotive OEM	3.0	Transportation	0.3
		Communications	1.2	Building & Construction Materials	2.3		
		Consumer Products	1.1	Chemicals	1.6		
		Real Estate	1.1	Software & IT services	1.1		
		Business Services	0.8	Communication	1.0		
		Plastics	0.3	Pharmaceuticals	0.4		
		Food & Tobacco	0.2	Minerals	0.3		
		Wood Products	0.2				
		Software & IT services	0.3				
		Space & Defence	0.1				
		Hotels & Tourism	0.0				

*Source: Greenfield Investment Data from the Financial Times Database

Table 6. South African FDI into other BRICS

Brazil (2005-2013)	%	Russia (2003-2007)	%	India (2003-2012	%	China (2003-2012)	%
Minerals	92.7	Minerals	50.3	Financial services	34.1	Coal, Oil and Natural Gas	87.2
Metals	2.7	Consumer products	18.0	Minerals	17.0	Consumer product	4.7
Software & IT services	3.6	Wood products	11.9	Hotels & Tourism	15.3	Semiconductors	3.7
Business services	0.6	Financial services	10.2	Food & Tobacco	13.1	Chemicals	1.6
Communications	0.3	Chemicals	9.6	Business Machines & Equipment	8.6	Industrial Machinery, Equipment & Tools	1.1
Financial services	0.3	Total	100	Beverages	5.8	Software & IT services	0.7
Hotel & Tourism	0.1			Software & IT services	2.8	Transportation	0.4
Total	100			Business services	1.7	Minerals	0.4
				Coal, Oil and Natural Gas	1.3	Business services	0.2
				Chemicals	0.3	Total	100
				Total	100		

*Source: Greenfield Investment Data from the Financial Times Database

Table 7. Brazilian FDI into other BRICS (in %)

China (2003-2011)	%	Russia (2004-2009)	%	India (2004-2013)	%	South Africa (2006-2012)	%
Metals	23.3	Food & Tobacco	42.9	Metals	65.5	Automotive Components	41.7
Financial services	22.2	Automotive OEM	40.7	Automotive OEM	14.2	Automotive OEM	40.5
Food % Tobacco	20.7	Ceramics & Glass	15.4	Electronic Components	10.8	Chemicals	10.1
Transportation	12.6	Electronic Components	0.9	Textiles	2.8	Software & IT services	7.7
Aerospace	9.3			Software & IT services	2.8		
Automotive Components	3.8			Business Services	2.3		
Textiles	3.6			Medical Devices	0.8		
Software & IT services	1.5			Transportation	0.4		
Business services	0.8			Industrial Machinery, Equipment & Tools	0.4		
Chemicals	0.7						
Automotive OEM	0.6						
Non-Automotive Transport OEM	0.6						
Coal, Oil and Natural Gas	0.5						
Consumer Electronics	0.1						

*Source: The Financial Times Database

Table 8. Brazilian exports to other BRICS (Primary commodities & middle and low technology products)

Products	**Russia**		**India**		**China**		**South Africa**	
	US$ (million)	**(%)**	**US$ (million)**	**(%)**	**US$ (million)**	**(%)**	**US$(million)**	**(%)**
Mineral Fuels	0	0.0	3.432	60.7	4,837	11.8	28	1.6
Non-fuel primary commodities	2.879	91.4	1.469	26.0	32.851	80.0	780	44.2
Resource-intensive manufactures	51	1.6	36	0.6	628	1.5	115	6.5
Low- skill and low- technology intensive manufactures	10	0.3	245	4.3	732	1.8	62	3.5
Medium-skill and medium-technology-intensive manufactures	180	5.7	161	2.8	440	1.1	675	38.2
High-skill and high-technology manufactures	29	0.9	304	5.4	1.579	3.8	103	5.8
Unclassified products	2	0.1	8	0.1	5	0.0	3	0.2

*Source: The Financial Times Database

Table 9. Brazilian imports to other BRICS (Primary commodities & middle and low technology products)

Products	Russia		India		China		South Africa	
	US$ (million)	(%)	US$ (million)	(%)	US$ (million)	(%)	US$(million)	(%)
Mineral Fuels	215	5.6	2219	45.3	225	0.6	28	3.9
Non-fuel primary commodities	1593	41.8	109	2.1	1093	3.1	165	23.3
Resource-intensive manufactures	19	0.5	690	13.5	6198	17.7	9	1.2
Low- skill and low- technology intensive manufactures	123	3.2	207	4.0	3331	9.5	144	20.3
Medium-skill and medium-technology-intensive manufactures	54	1.4	714	13.9	10909	31.1	82	11.6
High-skill and high-technology manufactures	1809	47.4	1147	22.4	12732	36.3	278	39.2
Unclassified products	0	0.0	42	0.8	622	1.8	4	0.5

*Source: The Financial Times Database

Annual percentage (%) change								Change from WESP 2013 forecast	
Sl/No.	Region/Country	2007-2010	2011	2012	2013	2014	2015	2013	2014
1.	World	1.8	2.8	2.4	2.4	3.0	3.3	0.3	-0.2
2.	Developed Economies	0.3	1.5	1.3	1.0	1.9	2.4	-0.1	-0.1
3.	USA	0.3	1.8	2.8	1.6	2.5	3.2	-0.1	-0.2
4.	Japan	0.0	-0.6	1.9	1.9	1.5	1.2	1.3	0.7
5.	European Union	0.2	1.7	-0.4	-0.3	1.4	1.9	-0.7	-0.3
6.	EU15	0.1	1.5	-0.5	-0.1	1.4	1.8	-0.6	-0.2
7.	New EU members	2.0	3.0	0.6	0.5	2.1	2.7	-1.5	-0.8
8.	Euro areas	0.2	1.6	-0.7	-0.5	1.1	1.6	-0.8	-0.3
9.	Other European countries	1.1	1.6	1.9	1.7	2.6	2.9	0.2	0.7
10.	Other developed countries	1.6	2.4	2.5	2.0	2.6	2.9	0.0	-0.4
11.	Economies in transition	2.9	4.6	3.2	2.0	3.3	4.0	-1.6	-0.9
12.	South Eastern Europe	2.6	1.9	-0.9	1.8	2.6	3.1	0.6	0.0
13.	Commonwealth of Independent States and Georgia	2.9	4.8	3.4	2.0	3.4	4.1	-1.8	-1.0
14.	Russian Federation	2.4	4.3	3.4	1.5	2.9	3.6	-2.1	-1.3
15.	Developing Economies	5.9	5.9	4.7	4.6	5.1	5.3	-0.5	-0.5
16.	Africa	4.8	0.8	5.7	4.0	4.7	5.0	-0.8	-0.4
17.	North Africa	4.6	-6.1	7.2	2.3	3.3	4.3	-	-
18.	East Africa	6.5	6.5	6.0	6.0	6.4	6.4	-	-
19.	Central Africa	4.8	3.9	5.8	4.2	4.8	4.1	-	-
20.	West Africa	6.0	6.1	6.7	6.7	6.9	6.8	-	-
21.	Nigeria	6.9	6.8	6.5	6.5	6.9	6.7	-0.3	-0.3
22.	Southern Africa	3.9	4.0	3.5	3.6	4.2	4.4	-	-
23.	South Africa	2.6	3.5	2.5	2.7	3.3	3.7	-0.2	-0.5
24.	East and South Asia	7.6	7.0	5.5	5.6	5.8	6.0	-0.4	-0.5
25.	East Asia	7.7	7.1	5.9	6.0	6.1	6.1	-0.4	-0.4
26.	China	10.8	9.3	7.7	7.7	7.5	7.3	-0.2	-0.5
27.	South Asia	6.9	6.4	4.2	3.9	4.6	5.1	-0.2	-1.1
28.	India	8.1	7.3	5.1	4.8	5.3	5.7	-1.3	-1.2
29.	Western Asia	4.0	6.9	3.9	3.6	4.3	3.9	0.3	0.2
30.	Latin America and the Caribbean	3.4	4.4	3.0	2.6	3.6	4.1	-1.3	-0.8
31.	South America	4.5	4.6	2.5	3.2	3.4	4.1	-0.8	-1.0
32.	Brazil	4.6	2.7	0.9	2.5	3.0	4.2	-1.5	-1.4
33.	Maxico and Central America	1.4	4.1	4.0	1.5	4.0	4.2	-2.4	-0.6
34.	Mexico	1.2	4.0	3.9	1.2	4.0	4.2	-2.6	-0.6
35.	Caribbean	3.5	2.7	2.8	2.4	3.3	3.8	-1.3	-0.5
By level of development									
36.	High Income Countries	0.6	1.7	1.5	1.2	2.3	2.5	-0.3	-0.1
37.	Upper middle-income countries	5.9	5.9	5.1	4.6	5.3	5.4	-0.8	-0.5
38.	Lower middle-income countries	6.1	5.8	4.4	4.7	5.0	5.4	-0.8	-1.0
39.	Low income countries	6.1	6.2	6.0	5.7	6.3	6.1	-0.2	0.2
40.	Least developed countries	6.9	3.6	4.9	5.4	5.7	5.7	-0.3	0.2
41.	World Trade	3.0	6.7	2.9	2.3	4.7	5.2	-2.0	-0.2
42.	World Output Growth with PPP based weights	3.0	3.7	3.0	2.9	3.6	4.0	-0.4	-0.4

Source: UNCTAD 2014/UN/DESA

While, we employ both random-effects or fixed-effects model and their respective results are reported in Table 10.

Table 10: Panel Data estimates (Dependent variable is GDP per capita)

	Random-effect		Fixed-effect	
Variables	coefficient	t-ratio	coefficient	t-ratio
FDI	0.334*	8.947	0.339*	9.934
EXP	0.208***	1.719	0.203***	1.913
C	-0.545	0.562	-0.664	1.186
R^2	0.541		0.927	
adj. R^2	0.527		0.922	
F-statistic	56.050		197.407	
Prob(F-statistic)	0.000		0.000	
Hausman Test (p-value)= 1.1545 (0.561)				

Note: Asterisks * and *** shows statistically significant at 1 % and 10 % respectively.

Periods included: 20 Cross-sections included: 5 Total panel (balanced) observations: 100

Table 10 reveals that the impact of foreign direct investment inflows on economic growth in BRICS is positive and statistically significant. In the random-effects model, the estimated coefficient of 0.334 is found for the FDI inflows variable statistically significant with 1 percent level of significance. The estimated coefficient indicates that an increase of one percentage point in FDI inflows leads to increase in GDP per capita by 0.334 unit percentage for each specific country. Similarly, it is evident from Table 10, that exports/trade has a positive and statistically significant relationship with economic growth in BRICS countries. In the random-effects model, the impact of the exports/ trade variable on economic growth is statistically significant with 10 percent level. The estimated coefficient of exports/trade found is 0.707; implies that one unit change in the exports bring 0.707 percent increase in the economic growth measured by GDP per capita. The R^2 explain 54 percent variation in the dependent variable by the explanatory variables in the random-effects model. Empirical results obtained are technically and theoretically acceptable and conceivable for onward policy advice for BRICS countries in particular and rest of the world in general.

Conclusion

This research has found a new prosperous and scope of emerging, other developing and transitional economies, with the commercial exchanges, through foreign investments and technical cooperation, as an engine of sustainable economic growth of world economy, which ultimately creates a 'new world economic order.' The institutionalized grouping known as the BRICS (or BRICSA according to some experts) represents includes three different continents namely; Asia, Latin America, and Africa, share in many ways. The quality of governance, progress towards a market economy, deregulation process, "openness" in the direction of the global market and economic development inside them are just a few factor-outs. Further, different owned resources and interests on realized exports are considered two other distinguishing features.

In trade in goods, taking into account the export structure, it can be distinguished two complementary groups; in one hand, China and India whose exports are dominated by manufactured goods (see below given tables). Russia and Brazil focuses on commodity exports surpassing those of manufactured goods, raw materials, and oil and gas supply (especially by Russia) on the other hand. In terms of exports trend, Brazil and India are less interested to exports their products, while China and Russia are predisposed to export.

However, the first wave of integration into the global economy has shown that, paradoxically, the differences between BRICS economies would strengthen their required forces for entry into the global context of cooperation and development.

According to IMF, in the following years similar to the aftermath of the current economic crisis, emerging and developing countries will register a growth more evident, illustrated by a higher volume of foreign trade and FDI flows compared to the developed economies. Thus, by 2050, the BRICS countries are likely to represent the most important global economies, surpassing the U.S.A. However, BRICS strives for rising to a new model of economic growth and a new world order. Indeed, trade and FDI flows have an impact that can't be challenged the BRICS countries; their international influence was and is increasing, including in times with serious global economic problems (years of economic crisis and recession that followed). Therefore, to avoid possible conflicts that may arise due to different levels of development (and not only) among BRICS members, it is necessary to establish a set of effective networks and commercial cooperation mechanisms. Just so, it can talk about a trade and economic agreements more effective and lasting among emerging economies, with substantial gains for all members.

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