

A Descriptive Study on India's trade relations with BRICS:

1. Tahir Nazir*

Research Scholar, Department of Economics
Baba Ghulam Shah Badshah University Rajouri
E-Mail: tahirrather1920@gmail.com

2. Aamir Ahmad Teeli

Research Scholar, Department of Economics
Central University of Tamil Nadu

3. Dr. Sajad Ahmad Rather

Assistant Professor, Department of Economics
Baba Ghulam Shah Badshah University Rajouri

4. Aabid Suhail

Research Scholar, Department of Economics
Baba Ghulam Shah Badshah University Rajouri

Abstract:

International trade in modern times has huge potential to shape its macroeconomic indicators in the right direction. Increased international trade helps to set in the economies of scale by enabling the countries to specialize in the production of comparative advantageous goods and services. It helps to improve efficiency in terms of productivity and costs. To encourage the economic cooperation in between emerging markets BRICS was formed. The current study attempted to examine the India's trade relations with BRICS countries. The study is purely descriptive in nature. We found that BRICS is of utmost importance for India both politically as well as economically. India needs to capitalize on the opportunity in order to achieve its goals while being associated with BRICS. Geographical distance increases both the time it takes to export and the cost of exports, which is neither advantageous to India nor to another partner. This line of explanation suits the logic of gravity model international trade. India should focus on raising its export profile in order to engage in trade operations with the BRICS nations more firmly.

Keywords: BRICS, India, Trade, Economic growth

Introduction:

In the modern time every country is highly interdependent and wants to build a strong and friendly economic and political relation with other countries especially after World War II commonly known as "Golden age of Capitalism". Thus, multiple international organizations and its sub organizations like regional organizations were formed in order to ease out the economic instability among the countries. One can understand that over the period of 40 years ranging from 1950-1990 international trade has been increased by 5.8 percent annually which is record growth in the history of international trade (Kitson and Michie, 1995). Since late of 19th century there is rise in the number of economic congregations and inter-governmental organizations.

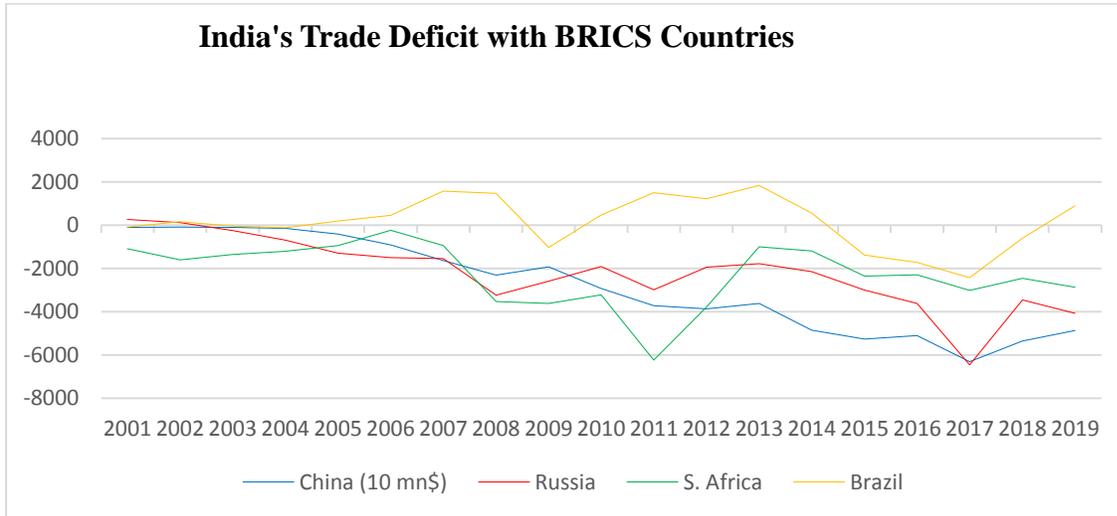
Most of the nation's sought to build strong and peaceful geopolitical relations with other nations which in turn helps to build strong trade relations among them. Along with economic regionalism regional trade blocs were formed like The European Economic Area (EEA), Association of South East Asian Nations (ASEAN), The Mercado Comun del Cono Sur or Southern Common Market (MERCOSUR), BRICS, European Union (EU), North America Free Trade Agreement (NAFTA), Common Market for Eastern and Southern Africa (COMESA), South Asian Association and Regional Cooperation (SAARC), Commonwealth of Independent States (CIS), Asia Pacific Economic Cooperation (APEC) and so on. The mentioned regional trading blocs have the biggest impact in the global trade and economic development of the region.

In 2001 New York based financial company Goldman Sachs predicted that a group of developing and newly industrialized countries could come to dominate Western economies. Since then, those countries have exploded in growth and changed to the landscape of world politics. BRICS is an acronym for Brazil, Russia, India, China and South Africa. Those five countries comprise 3.23 billion population which is more than 40% of the world's population, a quarter of the world's landmass and one-fifth of the world's Gross Domestic Product (GDP). Their combined GDP is significantly more than the GDP of United States (US) and growing, having combined GDP of 23.5 trillion US dollar in which China has 16.86 trillion US dollar while rest four member countries has around three trillion US dollar each. A major aspect of their alliance is the formation of the New Development Bank to compete with the International Monetary Fund (IMF) and the World Bank. This gives them greater leeway to loan each other and other countries money for development unrestricted by Western influence. Estimates as to their rate of growth tend to vary Goldman Sachs chief economist Jim O'Neill forecasts, they will overtake the G7 economies by year 2035. Others suggest they might achieve that goal by the year 2050. This will largely be fueled by the rapid expansion of middle class and higher GDP per capita. BRICS nations are known for their relatively rapid GDP growth rates. China's GDP growth rate by 8.1%, India's by 8.9 %, Russia's by 4.7%, South Africa's by 4.9% and Brazil by 4.6% in the year 2021 (IMF). An increase in net goods exports and higher levels of private spending supported GDP growth in China and India, while higher energy mainly oil and gas prices helped GDP growth in Russia and Brazil.

In India's pre reforms period there was persistent economic instability which puts low confidence of external investors. Inflation was at its peak with 16.7 percent in August 1991, foreign reserves were hardly enough for 15 days of imports. Then after new economic reforms were introduced in 1991 and India's new macroeconomic policies has changed the economic future. Generally, up to pre-COVID 19 period India has obtainable characteristics that deliver for an increasingly participatory upcoming in the global economy. A central indicator that upholds its macroeconomic efforts is the GDP, becoming the world's seventh largest economy according to economic data from the World Bank (2019). By 2025 India will have 80% of its population are under the age group of 45 years old, which makes the workforce a great competitive

advantage for its progress (Pianna, 2007). In the below Fig I represents India’s overall trade deficit with BRICS from 2000 to 2019 in \$US million.

Figure I:



Source: World Bank

The importance of trade activity in economic cooperation between India and the BRICS countries was noted in the literature. To safeguard against global trade fraud and malpractices, it is recognized how important trade and the establishment of economic blocs are. Since India’s trade account for 40 % of its GDP, supervising its international trade has a huge potential to shape India’s economic growth and development in order to help India to get rid from persisting problems of poverty and unemployment. In the back group of this the study try to analyses India’s Trade relations with BRICS countries in order to have an overview of composition and direction of India’s trade with BRICS countries.

Review of literature:

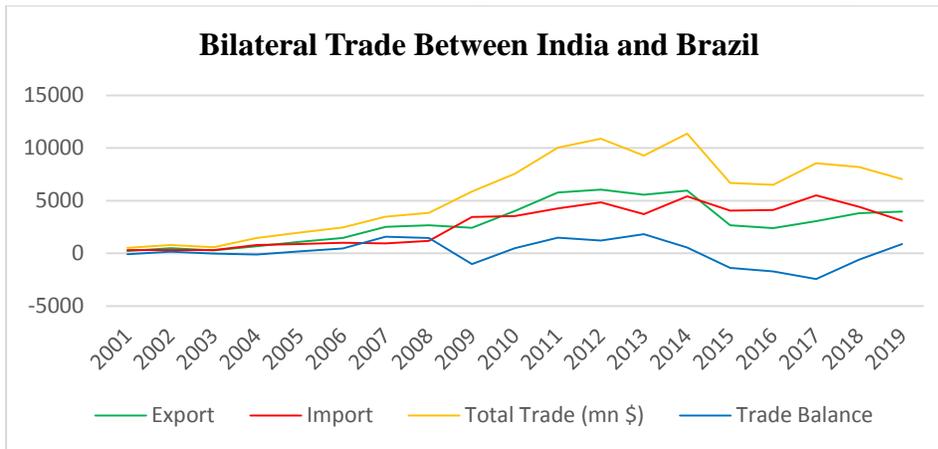
Since a decade ago, the BRICS economies have been consolidating their positions in the contemporary global economy and demonstrating the necessity of their existence. This has inevitably led to an increase in academic interest, which has been reflected in existing global trade studies. On the one hand, studies of established integration groups and conventional bilateral trade relations have been conducted, such as Kim (2002) and Chandran (2010)'s analyses of ASEAN and its bilateral trade intensity with China, Japan, and Korea and Chandran (2010)'s analysis of ASEAN and its bilateral trade intensity with India. However, other studies have been concentrating on the intra- and extra- trade study of the BRICS in general and/or with a specific focus on one of the nations in relation to the other members of the group. Havlik et al. (2009), De Castro (2012a, 2012b), Singh et al. (2011), Yuan and Zhao (2011), Cakir and Kabundi (2011), and Sharma and Kallummal (2012) conducted the most recent research on the trade analysis of the BRICS. Yuan and Zhao (2011) conduct a comparative, statistical, and historical analysis to evaluate BRIC countries' foreign trade. The study focuses on trade in goods, including its composition and a consideration of destination markets with particular reference to China. According to the analysis, the BRICS countries (centered by China as

opposed to Brazil, which is the least dependent) have fairly large trade dependences and are therefore at danger from trade volatility, which could harm these countries' economies. According to the data, exports from India and Brazil are mostly targeted at developing markets, whereas the majority of exports from China, South Africa, and Russia are focused on developed nations. With the exception of Russia, the BRICS import the majority of their goods from emerging markets. The study comes to the conclusion that even though the BRICS are developing nations with their own issues, they can work together and can even adopt a new growth model. Castro (2013) The findings show that although BRICS exports to countries outside of the Triad are rising, they are made up of less major product groups. As opposed to the BRICS as a whole, the export intensity assessment offered more impartial proof of the existing behavior of the BRICS. The mineral fuels, oils, distillation products, etc. product group exported by Brazil and South Africa to China and India they found to have the largest trade diversion from the Triad to BRICS. Studies have concentrated on and analyzed the bilateral commerce between India and China and between Brazil and India to examine the significance of bilateral trade and relations. According to Hirst (2008), the connection is blossoming, helped by a combination of national and international changes. The ramifications for the economy have a big influence on the establishment of the BRICS countries and their explosive development in both developed and developing nations. Due to their consistent advancement in technology fields like information and communications technology (ICT) and the ease with which LDCs and other developing nations can access these services, China and India have recently emerged as two of the world's most dynamic economies (Mohanty and Chaturvedi, 2006). Mariyam and Mittal (2019) According to India's bilateral revealed comparative advantage analysis (BRCA) with each of the BRICS members, manufacturing and man-made items enjoy a comparative advantage over agriculture and associated products. Chatterjee (2014) His research findings show low levels of rivalry in export and import items, which can open up prospects for increased intra-BRICS trade. Gains for all five BRICS members could result from more openness between the member nations. India in particular, which demonstrated a competitive advantage in some products. India's trade balance with the BRICS trading partners was overall negative at the aggregate level. India's unfavorable trade balance with China, the Russian Federation, and South Africa is evidence of this. Brazil is the only nation with whom India had a trade surplus.

India's Trade relations with Brazil:

F.H. Cardoso then president of Brazil played an important role in economic relation with India, he was well aware about Indian economic potential. If in present times these countries have good political and economic relation it is because of his 1996 visit to India. Up to 2012 Brazilian leadership took their country's two sided relationship with India to a level never before attained. (Tripathi, 2012). The economic relations among India and Brazil have proven to be an auspicious alliance for future as these countries minimizing trade barriers for mutual interests. Leading economy in BRICS bloc, China and India increasing productivity output for Brazil and proposes an excessive opportunity for Brazil to develop as an exporter of raw materials and basic Supplies. (APEX, 2012). Then after 2010 this situation was reverted in India's favour as it

exports made quantum jump of almost 94%. From the below Figure I it can be shown how trade relation between India and Brazil has grown from 2000 to 2019. Figure I



Source: World Bank

From the Above table I it's clear that since the formation of BRICS block there was increase in their bilateral trade up to 2015. The two countries are relatively small trading partner with each other as compared with the other nations, it is interest to note they are not even among top ten trading partners with each other. However, their bilateral commercial ties increasing steadily over the last two decades. In 2000 their trade values were mere \$828 million however after the period of ten years this value increased to \$9.28 billion and in 2020 this value increased by 63% from the previous year up to more \$11 billion. India has always an upper hand in terms of trade ties with Brazil, it has positive trade balance with Brazil except 2009,2015, and 2016 because largescale of sugar was imported by India from Brazil in these years.

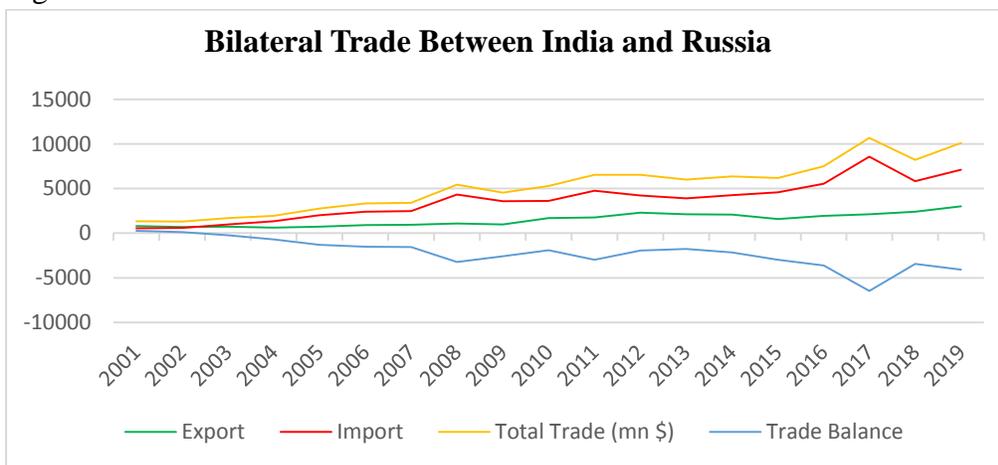
India's Trade Relation with Russia

The end of the Cold War and the unexpected replacement of the Soviet Union by fifteen newly independent countries, each with its own foreign policy, altered the world's geopolitical landscape. India is adjusting to the uncertainty of the new era like most other nations. As the USSR's successor state, Russia took over its military might and economic mess even as it renounced the Soviet Union's communist ideology and declared its intention to be a democratic state. Economic repercussions of de-ideologization and Russia's decline as a superpower affect both India and Russia. India was all aware that its international standing would depend on its economic strength. Although Russia is India's top defense ally, but their economic ties remained behind potential appraisal. In 2020, bilateral trade between India and Russia was about \$13 billion, compared to \$119 billion and \$129 billion between India and the US and China, respectively.

Key value chain sectors dominate bilateral trade between the India and Russia. These businesses cover a wide range of industries, such as high-end tea and coffee products, electronics, aerospace, automobiles, chemicals, medicines, fertilizers, garments, precious stones, industrial metals, petroleum products, and commercial ships. Bilateral trade was only \$1.5 billion in 2002 and climbed by more than 7 times to \$11 billion in 2020 and with both governments establishing a target of \$30 billion in bilateral trade by 2025 (The Economic Times 2020). Indo-Russia

intergovernmental commission (IRIGC), the Indo-Russian Forum on Trade and Investment, the India-Russia Business Council, the India-Russia Trade, Investment and Technology Promotion Council, the India-Russia CEOs' Council, and the India-Russia Chamber of Commerce are examples of bilateral organizations that manage economic relations between the two nations. Although Russia plays an important role in India's civil nuclear programme and is main supplier of military equipments and weapons. India imports 65% of armed forces equipments and is completely relying on Russia, but the tragic is these the two nations bilateral trade is unable to meet the desired objectives and goals Russia's trade with India is merely 1.1% of its global trade because a number of reasons there is not any proper routine connectivity between two countries, lack of involvement in private sectors, absence of logistics. India, the biggest consumer of Russian arms worldwide has defied US and Australian demands to sever ties. In order to support its demand for supplies, it has highlighted threats from Pakistan and China. This has led the US to explore providing foreign military financing in an effort to wean India off of Russian-made weapons. (The Print, June 2021). From the below Figure II it can be shown how trade relation between India and Russia has grown from 2000 to 2019

Figure II:



Source: World Bank

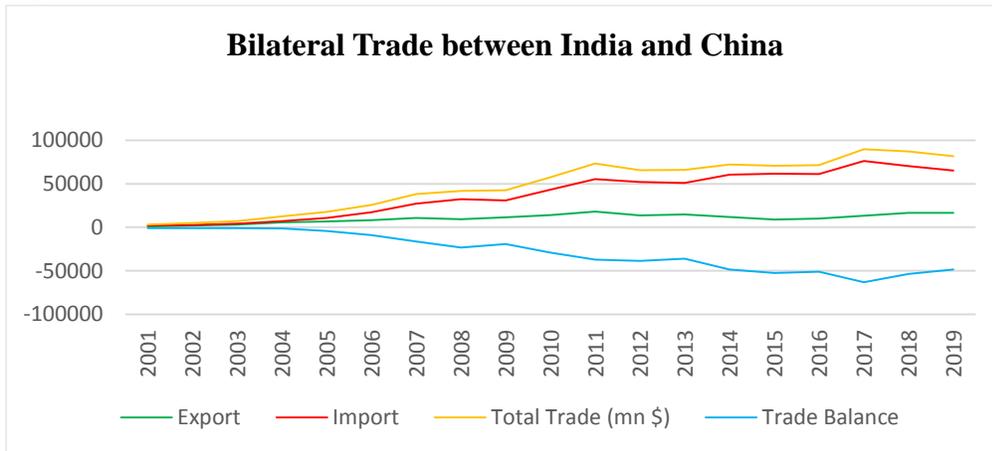
From the above graph II it clearly shows that from 2007 India's exports were slightly increased how ever there was persistent increase in their imports from Russia which shows that there is increasing trade deficit but in the year 2019 there was huge surge in its trade deficit. In the fiscal year that ended in March 2020, India's trade deficit with Russia was \$6.61 billion, with \$13.1 billion in total bilateral trade. To balance the finances, India is attempting to increase exports of goods like chemicals, plastics, and pharmaceuticals.

India Trade relation with China

In April 1950, India was among the first noncommunist nations to sever formal ties with the Republic of China and recognize the People's Republic of China as the rightful ruler of both Mainland China and Taiwan. This marked the beginning of the Sino-Indian diplomatic relationship that exists today. China and India, the two most populous nations ranked 1st and 2nd respectively at global level are largest economies in the world and are two of the major regional

powers in Asia. An entirely new phase in India-China commercial relations began in the year 1994. These two countries are known as Asian giants and maintaining an important position world economy. These two countries are top developing nations in the world. Both nations differ in their trading pattern, China's economy has expanded through increased manufacturing investment and increased international trade, whereas India's economy has grown mostly through the service sector. China has consistently maintained an economic growth rate of around 10% over the past decade till pre-COVID time, compared to India's 7.0% of economic growth rate. In the current global economic environment, the two countries' economic relationship is regarded as one of the most important bilateral relationships, and this trend is anticipated to persist in the years to come. China is currently India's biggest trading partner, while India is one of China's top 10 trading partners. Since 2000 trade between India and China has increased from US\$3 billion to US\$115.42 in 2020. Regarding its part in India's total trade, China was lagged behind other nations, including Singapore and Belgium. China contributed 3.5 percent of India's total trade, compared to the US's 14.4 percent, the UK's 5.1 percent, and Belgium's 4.1 percent. However, since China joined the WTO in 2001 and increased its trade relations, it has greatly increased in recent years. In 2020 China contributed 15.5 % of in India's global trade. China has replaced the United States first time as India's top trading partner in 2013. However later US again becomes India's top trading partner and still going. However, China is having upper hand in trading with India. India's trade balance with China is negative. Only the commerce between China and India has remained China's most balanced trade in South Asia, despite the fact that it continues to have a vastly favorable trade balance with the majority of the smaller states in the region. India is completely relying on Chinese imports. India's bilateral trade with China climbed by 44% in 2020, despite the country's efforts to lessen its reliance on Chinese imports amid a policy emphasis on self-reliance and the ongoing tension along the border. Exports increased by 35% while imports increased by a record-breaking 46% (The Indian Express). Their two-sided trade increased by nearly thirty-two times, from US\$ 3.6 billion in 2001 to nearly US\$ 116 billion in 2021 (IMF, 2021). India's trade balance with China was always in deficit except a couple of years 1991 and 1992 particularly after China's entrance into WTO in 2001 India's trade deficit kept increasing, the trade imbalance has widened from US\$ 0.34 billion to US\$ 77 billion in 2021, which has been quite painful for the Indian economy. Since the last 20 years. From the below Figure III it can be shown how trade relation between India and China has grown from 2000 to 2019.

Figure III:



Source: World Bank

From the above graph it shows that up to 2004 there was meagre trade between India and China but after that time there was persistent increase their bilateral trade. there has been a large trade imbalance that is currently exceedingly challenging to handle. The launch of "Atmanirbhar Bharat" (self-reliant) by Indian Prime Minister Narendra Modi aims to reduce the nation's reliance on Chinese imports amid the 2020 India-China border standoff. The phrase is an umbrella concept for the Modi government's plans for India to play a lead role in the global economy and for it to become more efficient, competitive and resilient. Also, after border dispute with China in Galwan valley India wants to use minimum Chinese manufactured products, in which India got success to some extent. In 2020 Imports from China declined 7.2 per cent to USD 65.21 billion in 2020 from USD 70.31 billion in 2019, On the other hand, India's exports to China increased by 26 per cent to USD 21.18 billion in 2020 from USD 16.75 billion in 2019, as a result India's trade deficit with China falls at five years low (Ministry of Commerce and Industry GOI). The amount of bilateral commerce between China and the BRICS nations in the same year increased by 39.2% year over year to \$490.42 billion. China has held over 70 meetings and activities relating to political security, economics, trade, and finance, intercultural exchanges, sustainable development, and public health since the year began.

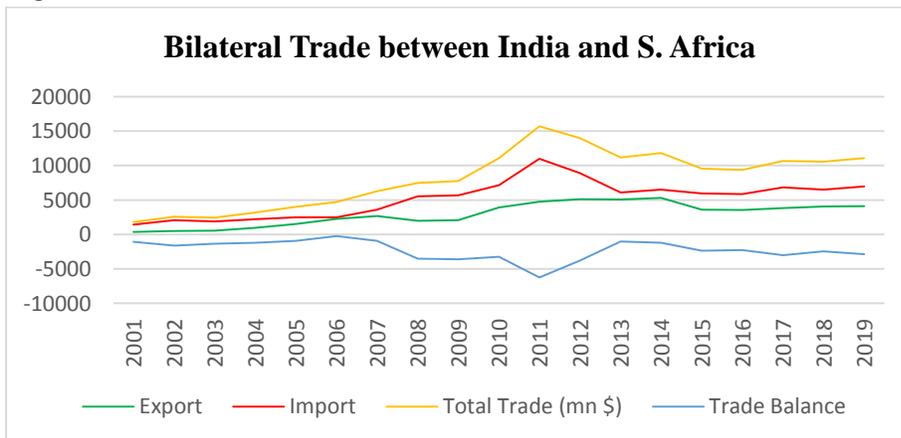
India Trade relations with South Africa

The relation between India and South Africa has been started hundred years ago when Mahatma Gandhi commonly known as Gandhiji started his Satyagraha movement in 1906 for independence and justice from British rule. India was at forefront in the world community when it came to supporting the anti-apartheid struggle, started by Nelson Mandela. In 1946 India was the first nation to terminate trade ties with the apartheid Government of South Africa and then placed a comprehensive diplomatic, commercial, cultural, and sporting boycott with South Africa. In the international market, South Africa and India both have comparative advantages in labor- and resource-intensive goods like in exporting agricultural stuffs such as live animals, Feeding stuff for animals, Sugars, sugar preparations, textiles and honey. While South Africa has an advantage in manufacturing commodities such as natural resources, paper and pulp,

metalworking machinery. Their merchandise trade flow has grown steadily as a result of the countries expanding trade growth trajectory. India control in agricultural exportations and South Africa dominating in manufacturing commodities (Wani, Rehman and Kukreja, 2016). There is a lot of room for trade between the two nations to expand. Vehicles and their parts, transportation equipment, medications, engineering products, footwear, dyes and intermediates, chemicals, textiles, rice, jewels, and jewelry are just a few of the items that India exports to South Africa. Gold, steam coal, copper ores and concentrates, phosphoric acid, manganese ore, aluminum ingots, and other minerals are imported from South Africa to India.

A couple of decades ago there wasn't a lot trade between the two but in the present that number has actually increased sevenfold. It has been really driven by during the global financial crises, Both India and Africa realize how dependent they were on the US and Europe. They needed to find new areas for exports destinations as a result of that India was in a place where they strong manufacturing capabilities they need to sell their manufacturing goods, Africa needs those goods. On the other hand, India needs natural resources, Oil, energy security. In this way Africa plays a hand when crude oil exports from Africa to India were pretty much non-existent in 2005. Africa now accounts one fifth of India's energy imports in this way each has side gain. From the below Figure IV it can be shown how trade relation between India and South Africa has grown from 2000 to 2019.

Figure IV:



Source: World Bank

Since diplomatic ties were established in 1993, despite distant geographical locations business contacts have expanded to a larger extent. Bilateral trade expanded in value from US\$2.5 billion in 2003–2004 to US\$13.18 billion in 2012–2013 on the trade front. Both nations decided to work toward a target of USD 10 billion in bilateral trade by 2012 during President Zuma's visit to India. As the bilateral trade objective was met in FY 2010–11, the trade aim was raised to US\$ 15 billion by 2014 and subsequently increased to US\$11 billion in 2020.

Conclusion:

The largest and fastest-growing economies in the world in terms of GDP are Brazil, China, and India. These nations are connected by their shared history as developing economies and alternatives to the western economies, despite having different sociopolitical and legal systems. India has made a significant commitment to fostering stronger trade ties among the BRICS. Only 10.61% of the BRICS's total trade is conducted within the bloc as of 2019. India contributes more than 19.32% of its BRICS trade to its overall trade. India's bilateral trade with China, which totaled 87.1 US billion in 2019, accounts for the majority of its 114 US billion overall trade with the BRICS nations in 2019. The root cause of poor trade with the other BRICS nations is their geographical proximity, which in turn raises trade costs. India's trade with China, its closest neighbour, was 92.89 billion dollars in 2018, but just 8.2 billion dollars with Brazil, its furthest trade partner in this bloc. Geographical distance increases both the time it takes to export and the cost of exports, which is neither advantageous to India nor to another partner. This line of explanation suits the logic of gravity model international trade.

Another significant factor for low trade is the restrictive trading environment, even though the BRICS nations have drastically lowered their tariff rates over the past year. Import restrictions in the form of non-tariff barriers do exist, and the BRICS's recent economic liberalisation is reflected in their trade policies. The prominence of anti-dumping, countervailing, and safeguard policies, according to the EXIM Bank of India, "has also hampered intra-BRICS trade." India is ranked 68th in the trading across borders rating and 63rd in the world banks index of 'ease of doing businesses. This trade bloc has only recently begun operations. There is a lot that can be done to boost India's trade with the BRICS nations. India should focus on raising its export profile in order to engage in trade operations with the BRICS nations more firmly.

A prominent Turkish Scholar Selcuk Colakoglu stated the BRICS nations play a powerful role in global growth, poverty eradication and general global development among others. China as well as India are very important and key players for world production and manufacturing as a center. He further advocates for a "BRICS Plus" cooperation model. Which has a potential to be a platform for emerging markets and developing countries and can help in further cooperation and development. According to him it will help mankind to fight against crises and disasters with coordinated efforts. This model is not only for defense and political confrontations but also for solving the issues, like pandemic, global economic crises etc. The achievements of BRICS include establishment of new development bank of and contingency reserve arrangements (CRE) worth USD 100 billion. These establishment secure against risk maintenance finance stability by providing short run liquidity to member countries. It also provided a platform to member countries to increase their growth, reduce poverty and unemployment and the said economies on the path of development. For India BRICS is important from the view of geopolitics it provided India a platform to raise voice against terrorism. India can use this plat form to strengthen its trade ties to distinct economies by breaking the political, economic and distance barriers. India has been an active participant of it since its inception. India has an active role for keeping peace and maintain balancing act between two big players like Russa, China.

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