A Comparative Analysis of BRICS Economies with Special Reference to Institutional Environment

Shilpa Garg*

ABSTRACT

This paper attempts a systematic analysis of BRICS economies in terms of their demographic features, economic characteristics, FDI and institutional environment. The analysis shows the availability of large markets, labour forces, skilled workforce, but lack of proper institutional framework in BRICS. We also find that though the improvements in institutions and governance have lagged in these countries, it does not seem to hinder the growth of FDI in these economies. This is because a large amount of FDI coming into BRICS economies is mainly market-seeking and resource-seeking.

Keywords: BRICS; Culture; Demography; FDI; Freedom; Institutions.

1.0 Introduction

The term “BRIC” was coined in 2001 by Jim O’Neill, chief economist of the investment bank Goldman Sachs, which then represented a group of four major emerging economies: Brazil, Russia, India and China. It later became BRICS with the inclusion of South Africa in 2010. These five economies have attracted more than 20% of world FDI inflows in 2013 (UNCTAD statistics), and have significantly influenced global economic growth. This paper attempts a systematic analysis of BRICS by comparing and contrasting these five economies in terms of their demographic and economic features in brief and then their institutional environment in detail.

2.0 Demographic Profile

In terms of landmass, Russia is the largest country in the group (it is also the largest country in the world). China closely followed by India, are the two most populous nations in the world, accounting for over one third of the world’s population.

*Ph.D. research scholar, Department of Commerce, Delhi School of Economics, University of Delhi, Delhi. (email: shilpa9711@yahoo.com)
Table 1 shows the demographic details of BRICS economies. As per calculations based on World Bank’s database, BRICS accounts for about 40% of the world’s labour force. Also, India, South Africa and Brazil are expected to reap a demographic dividend in the coming decades. According to UN projections, by 2020, the working age population is expected to rise by 240 million in India and by 20 million in Brazil. In next 20 years, India’s working-age population will increase by more than the entire working-age population of Western Europe. China’s working-age population is close to peaking and is predicted to decline by over 100 million by 2040. Russia’s working-age population is also forecasted to sharply fall by about 20 million in the next decade. However, growing populations can yield demographic dividends only if there are a matching increase in available jobs and opportunities.

<table>
<thead>
<tr>
<th>Country</th>
<th>Area (Km²)</th>
<th>Population (millions)</th>
<th>Unemployment rate (%)</th>
<th>Literacy rate* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>83,58,140</td>
<td>200.36</td>
<td>5.9</td>
<td>91.33</td>
</tr>
<tr>
<td>China</td>
<td>93,88,211</td>
<td>1537.38</td>
<td>4.6</td>
<td>95.12</td>
</tr>
<tr>
<td>India</td>
<td>29,73,190</td>
<td>1252.14</td>
<td>3.6</td>
<td>74</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>1,63,76,870</td>
<td>143.50</td>
<td>5.6</td>
<td>99.68</td>
</tr>
<tr>
<td>South Africa</td>
<td>12,13,090</td>
<td>52.98</td>
<td>24.9</td>
<td>93.73</td>
</tr>
</tbody>
</table>

Source: World Development Indicators, 2013
Note: *Literacy rate, adult (age 15 and above). The data is used for latest years available. Indian literacy rate is as per census 2011.

The unemployment rate is about 25% in South Africa which is very high. In other BRICS economies it is under 6%. So, more and better jobs are required along with a skilful training program for workers. The literacy rate in Brazil, China, Russia and South Africa ranges from 90% to 100%. In India, however, it is just 74% which is continuously improving.

3.0 Economic Profile

BRIC economies contributed 36.3% of the growth in world GDP in PPP terms during the last decade (2000-2010). South Africa was added to the group in 2010. Table 2 shows some economic details of BRICS economies. Over a period of 23 years (1990-
2013), BRICS has shown a tremendous growth in GDP. China’s GDP increased more than 25 times from 356 US billion $ in 1990 to 9,240 billion $ in 2013. India has grown more than 5.5 times from 326 US billion $ in 1990 to 1,876 billion $ in 2013. Brazil is now a $2 trillion plus economy. Russia has also grown more than four-fold during the same period. South Africa has grown by around 3 times only (author’s own calculations based on World Development Indicators).

**Table 2: Economic Profile of BRICS**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (US bn$)</th>
<th>GDP per capita (US$)</th>
<th>Interest Rate (Real, %)</th>
<th>Inflation Rate (GDP deflator, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>2,245.67</td>
<td>11,208.1</td>
<td>18.4</td>
<td>7.6</td>
</tr>
<tr>
<td>China</td>
<td>9,240.27</td>
<td>6,807.4</td>
<td>4.2</td>
<td>1.7</td>
</tr>
<tr>
<td>India</td>
<td>1,876.79</td>
<td>1,498.9</td>
<td>3.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>2,096.77</td>
<td>14,611.7</td>
<td>3.4</td>
<td>5.9</td>
</tr>
<tr>
<td>South Africa</td>
<td>350.63</td>
<td>6,617.9</td>
<td>2.5</td>
<td>5.8</td>
</tr>
</tbody>
</table>

*Source: World Development Indicators, 2013*

In terms of GDP per-capita, the BRICS are on a lower side. Only Brazil and Russia are somewhere near to the global averages of 14000-15000 US$. Other BRICS economies are increasing up fast except for India which has per capita GDP much below the average. There are some concerns also, like inflation rate, which is more than 5% in all the BRICS economies with Brazil topping the charts and China being an exception. Interest rate is a satisfactory issue with only Brazil having a double digits figure.

**4.0 FDI Trends: Comparison amongst BRICS**

BRICS economies have always been an attractive destination for foreign direct investments. In 2013, they attracted more than 20% of world FDI inflows and around 10% of world FDI stock. Amongst BRICS, Brazil was receiving the maximum FDI inflows till 1984 but in 1985, China overtook and since then it continues to be a major FDI recipient, not only amongst BRICS but all over the world. According to own calculations based on UNCTAD Statistics, China ranks second in the world in overall FDI inflows in 2013. Russian Federation has also shown manifold increases and ranks fourth in the world. Brazil, India and South Africa rank six, fifteen and thirty six in the
world respectively. The inflows and stock of FDI in each of the BRICS country in 2013 and their respective world ranks as per share of global FDI inflows are given in Table 3. The FDI trends for each BRICS economy from 1990-2013 is graphically presented in Figures 1 and 2 respectively.

Table 3: FDI Inflows and Stock in BRICS economies and Their World Rank, 2013

<table>
<thead>
<tr>
<th>World Rank (2013)</th>
<th>Country</th>
<th>FDI Inflows 2013 (US mn $)</th>
<th>Global share (%)</th>
<th>FDI Stock 2013 (US mn $)</th>
<th>Global share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>China</td>
<td>1,23,911.00</td>
<td>8.5</td>
<td>13,42,897.98</td>
<td>3.8</td>
</tr>
<tr>
<td>4</td>
<td>Russian Federation</td>
<td>79,262.00</td>
<td>5.4</td>
<td>4,94,284.26</td>
<td>2.3</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>64,045.33</td>
<td>4.4</td>
<td>5,71,298.82</td>
<td>2.8</td>
</tr>
<tr>
<td>15</td>
<td>India</td>
<td>28,199.45</td>
<td>1.9</td>
<td>2,87,851.43</td>
<td>0.9</td>
</tr>
<tr>
<td>36</td>
<td>South Africa</td>
<td>8,187.93</td>
<td>0.5</td>
<td>66,623.27</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Author’s own calculations and UNCTAD Statistics

![Figure 1: FDI Inflows in BRICS Economies, 1996-2013 (US million dollars)](source: UNCTAD Statistics)
Figure 2: FDI Stock in BRICS Economies, 1996-2013 (US million dollars)

The FDI going into the emerging economies of Brazil, Russia, India, China and South Africa is mounting in global influence. China receives massive FDI flows and has accumulated a large FDI stock over the time. These are still rising in China. FDI in Russia is much more fluctuating when compared to any other BRICS economy, but it still draws a sizeable amount of FDI. Russia and Brazil both are steadily peaking towards the FDI stock figures of China. India and South Africa find last places with India also showing uncertain flows of FDI. It can be clearly seen that the financial crisis of 2007-2008 hit the BRICS economies severely. Flows of FDI slowed considerably due to a reduction in growth projections (Noeth and Sengupta, 2007). India and Russia were most badly hit and are still recovering after the crisis.

5.0 Analysis of Institutional Environment

Although all the BRICS countries are labelled as emerging nations, but the institutional environment is well diversified, ranging from strict bureaucracies and poor institutional conditions in Russia to a country like South Africa which outperforms on various aspects. This section carries out a comparative analysis of various institutional variables for BRICS.
5.1 Culture

According to Prof. Geert Hofstede, “Culture is the collective programming of the mind distinguishing the members of one group or category of people from others”. Prof. Hofstede categorised national culture into four dimensions: Power Distance (PDI), Individualism/Collectivism (IND), Masculinity/Femininity (MAS) and Uncertainty Avoidance (UAI). The fifth and sixth dimensions called Pragmatic (long term)/Normative (short term) (LTOWVS) and Indulgence/Restraint (IVR), were added later. The data corresponds to different years since 1967 to 2010. Table 4 presents the score of BRICS countries on various dimensions out of 100.

Table 4: Cultural dimensions, BRICS

<table>
<thead>
<tr>
<th>Country</th>
<th>PDI</th>
<th>IND</th>
<th>MAS</th>
<th>UAI</th>
<th>LTOWVS</th>
<th>IVR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>69</td>
<td>38</td>
<td>49</td>
<td>76</td>
<td>44</td>
<td>59</td>
</tr>
<tr>
<td>China</td>
<td>80</td>
<td>20</td>
<td>66</td>
<td>30</td>
<td>87</td>
<td>24</td>
</tr>
<tr>
<td>India</td>
<td>77</td>
<td>48</td>
<td>56</td>
<td>40</td>
<td>51</td>
<td>26</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>93</td>
<td>39</td>
<td>36</td>
<td>95</td>
<td>81</td>
<td>20</td>
</tr>
<tr>
<td>South Africa</td>
<td>49</td>
<td>65</td>
<td>83</td>
<td>49</td>
<td>34</td>
<td>63</td>
</tr>
</tbody>
</table>

Source: Website of Geert Hofstede (different years)

**Power Distance:** On this dimension, Russia (93), China (80) and India (77) show high degree of power distance, which indicate that there is a huge inequality between the less and more powerful people of the country. This discrepancy is particularly visible in Russia which is extremely centralized. Brazil (69) also exhibits a similar society, but to a lesser extent. South Africa (49) reflects an average power distance.

**Individualism/Collectivism:** On this dimension, only South Africa (65) exhibits an individualistic culture. This means there is a rational outlook for relationships and an individual’s life is considered to belong to him only. With an intermediate score of 48, India has a mixed culture with collectivistic and individualistic features. Brazil (38), China (20) and Russia (39) are collectivist societies where interdependence is recognized in relationships and an individual’s life is considered to belong to the group or society, of which he is a part. In such countries, there are strong ties between individuals.

**Masculinity/Femininity:** On this dimension, China (66) and South Africa (83) are on a masculine side, which represents a preference for assertive values and material rewards like achievement, money and things. So, the environment is more competitive. India (56) and Brazil (49) have mixed cultures for assertiveness and nurturance. Russia (36) has a feminine culture, with preference for modesty, care and relationships.
**Uncertainty Avoidance:** This dimension reflects the society’s tolerance for uncertainty and ambiguity. With high scores of 76 and 95, Brazil and Russia show low levels of tolerance for novel and unknown situations. People in these countries tend to structure life with strict laws, regulations and safety measures to avoid any type of uncertainties in future. South Africa (49) maintains a more comfortable attitude towards such situations. India (40) and China (30) also have a high degree of tolerance for unexpected situations. People in these countries feel comfortable or even pleasurable with new challenges and thus tend be good entrepreneurs.

**Pragmatic/Normative:** On this dimension, China (87) and Russia (81) have pragmatic cultures. People here, show long term orientations in thinking and thus have a strong propensity to save and invest. India (51) also has long-term, pragmatic culture. Brazil (44) is intermediate on this dimension. Only South Africa’s culture (34) is normative within BRICS. People here, have short term orientations and focus on achieving quick results.

**Indulgence/Restraint:** On last dimension of indulgence versus restraint, China (24), India (26) and Russia (20) exhibit restrained societies where leisure activities are of less value and gratifications are suppressed and regulated using strict social norms. Brazil (59) and South Africa (63) have a culture of indulgence. People in these countries can freely satisfy their needs and desires and give a higher importance to leisure activities.

Overall it can be said that, except for few, BRICS countries more or less have, preference for power distance and hierarchy; collectivist culture; masculine society; mixed attitude towards uncertainty; long term orientation; and restrained societies.

### 5.2 Language

As per the latest data from CEPII and World Factbook, CIA (Central Intelligence Agency), about half of the world’s population speak the 13 most populous languages. Mandarin (Chinese) top the numbers with 12.44% of the world population speaking it. It is the official and native language in China. However, this language is commonly spoken in China and nearby countries only, like Taiwan, Singapore and Malaysia. At second place, Spanish is placed. Amongst BRICS, it is spoken only in Brazil (about 1%).

English is considered as world’s linking language and is spoken by around 5% people all over the world. It is one of the official language in South Africa, subsidiary official language in India (23%) and a less common language in Brazil and Russia also. English certainly provides a language proximity advantage to these countries.

Hindi is spoken by around 2.7% of the world population. It is the most widely spoken language and primary tongue of 41% of the Indian people. In South Africa,
Dutch and English are the main languages. These two countries have got wide language diversity. In Brazil, Portuguese is the official and most widely spoken language. Portuguese being the official language in many other countries provides Brazil a language proximity with these countries. Similarly in Russia, Russian is the official and most widely spoken language and thus provides it language proximity with other nations where it is an official language or is an important secondary language.

5.3 Type of legal system

As per the data of World Factbook, CIA, legal systems across the world are generally of five types: civil law, common law, customary law, mixed law and religious law. Applied in around 150 countries, Civil Law constitutes the most widespread type of legal system in the world. Its most prevalent feature is that core principles and laws are codified in written form. In BRICS grouping, all countries have civil laws embedded in their legal systems but to varying extents. Brazil, China and Russia completely follow a civil legal system. South Africa has civil law as a main component in its mixed legal system. In India, only Goa witnesses civil law codes. Civil law provides a sense of certainty regarding court decisions and rulings, because a written procedure is followed and decisions are given accordingly.

Common law, or often called the English common law is followed in around 80 countries which were part of or were influenced by the former British empire. It is based on legal precedence. Past decisions of judges bind future decisions so as to ensure fair and consistent treatment. But this type of system is much more complicated than civil system. India’s legal system is mainly based on common law. South Africa’s system is also influenced by it.

Along with common and civil laws, Indian legal system is quite more complex. Religious laws find a special place in it. Separate personal religious laws govern Hindus, Muslims, Christians and Sikhs of the country.

5.4 Freedom of the country (Freedom House Report)

The status of freedom and score for political rights and civil liberty in BRICS economies is presented in Table 5. Score is from 1 to 7 with 1 representing the most free and 7 the least free conditions prevailing in the country. All the countries have same scores from 2013 to 2015 except little change for Russia in 2015.

Status of freedom: Amongst BRICS, only China and Russian Federation are considered not to be free nations. Brazil, India and South Africa are free countries.

Political rights: China gets a score of 7 representing the least free country with respect to political rights, Russia gets 6 showing similar traits and other three countries get a good
score of 2. Brazil, India and South Africa are electoral democracies where government is run by representatives of people. Elections are generally free and fair, with multiparty systems. Brazilian elections encounter vigorous competition between numerous rival parties. Indian election system is primarily dominated by two major parties, especially at centre level, Indian National Congress (INC) and Bhartiya Janta Party (BJP). South African elections are based on party-list proportional representation, where parties are represented in proportion to their electoral support. African National Congress (ANC) dominates the political scenario.

### Table 5: Freedom of the country, BRICS

<table>
<thead>
<tr>
<th>Country</th>
<th>Status of freedom</th>
<th>Political Rights</th>
<th>Civil Liberty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Free</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>China</td>
<td>Not Free</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>Free</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Not Free</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>South Africa</td>
<td>Free</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>


Note: 1 represents the most free and 7 the least free

In China and Russia, political rights are severely suppressed by the government. China’s political landscape is monopolised by Chinese Communist Party (CCP), with zero tolerance for any amount of organised opposition. No democratic reforms can be advocated by citizens or independent political parties, if any. In Russia, elections fall under the doubt of legitimacy. Victories are often labelled as unfair and non-competitive. During 2011-2013, President Vladimir Putin passed harsh laws against any potential opposition parties.

**Civil liberty:** For Civil liberty, Brazil and South Africa gets a score of 2, India 3, and Russia and China 6. Brazil, India and South Africa have liberal civil rights. Freedoms of expression and press are generally respected in practice. Press play a central role in exposing hidden crimes, especially private media. However, in Brazil and India, journalists continuously face constraints, sometimes in the form of violence or sometimes as security laws, especially when dealing with government or military related content. In South Africa also, press freedom has curtailed in recent years. South African Broadcasting Corporation (SABC) which controls many radio stations and some TV channels is often accused of being a ruling party puppet.
Free access to internet, freedom of religion, academic freedom and freedoms of association and assembly are also protected in these nations, with few exceptions in India. Freedoms of assembly and association are sometimes restricted in India via Section 144 of the criminal procedure code which empowers the authorities to restrict free assembly whenever “immediate prevention or speedy remedy” is required. Human rights organizations face threats and pressures. Sometimes foreign journalists are also denied visas in India to conduct research on human rights and other similar topics.

South Africa owns one of the world’s most liberal legal systems for LGBT (lesbian, gay, bisexual, and transgender) people. Strong labour laws provide several protections and rights to individual labours and trade unions. But black farm workers continue to suffer insecure rights in villages. In Brazil and India, slavery and bonded labour are commonly practiced, despite of being legally abolished. Police torture, illegal detention, extrajudicial killings, and poor prison conditions are also quite visible in these three countries.

In China, all forms of civil freedom are strictly restricted like freedoms of expression, press, internet access, religion, academic, assembly and associations. The CCP owns almost all the TV, radio and print networks and regularly issue directives to control the content. Disobeyers are put behind the bars. Foreign journalists are also harassed and denied visas. Internet access and its content is closely monitored and censored by the government. All religious groups are required to register with the government. Appointments of top officials in University and scholars practices are controlled by the government. Permissions for demonstrations and assembly are rarely granted. Torture is severely used for confessions and other purposes.

Russia holds a similar restricted environment. Freedom of speech is constitutionally granted but is not respected due to vague laws. Media and even advertising material is controlled by the government. Internet penetration is increasing but under government’s control. Religious freedom is uneven across the country and even religious instructions are allowed in public schools. Demonstrations and protests without official permits face ruthless arrests and responses. Torture, interrogations and inhuman conditions in prisons is also seen. Freedom of movement and residence is restricted in Russia. Internal passports are required while travelling and registration rules limit the right to choose place of residence.

5.5 Global Competitiveness Report’s components

Global Competitiveness Report (GCR) each year ranks the countries on the basis of Global competitiveness index. We use some components of this report to compare and contrast the institutional environment of BRICS countries. Table 6 presents the data on
rank (R) and value (V) of each BRICS economy in 2013-14 and 2014-15 on three components of GCR. Ranks in 2013-14 and 2014-15 are out of 148 and 144 economies, respectively. Values are on a scale of 1 to 7 with more value representing better position. South Africa leads on two out of these three aspects.

Table 6: GCR components, rank and value, year 2013-14 and 2014-15 (1-7 scale)

<table>
<thead>
<tr>
<th>Country</th>
<th>Institutions</th>
<th>Business sophistication</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>80</td>
<td>3.7</td>
<td>39</td>
</tr>
<tr>
<td>China</td>
<td>47</td>
<td>4.2</td>
<td>45</td>
</tr>
<tr>
<td>India</td>
<td>72</td>
<td>3.8</td>
<td>42</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>121</td>
<td>3.3</td>
<td>107</td>
</tr>
<tr>
<td>South Africa</td>
<td>41</td>
<td>4.5</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Global Competitiveness Report, 2013-14 and 2014-15
Note: “R” denotes rank and “V” denotes value

Institutions: Figure 3 graphs the value of ‘Institutions’ component of each BRICS country over the 9 years period (2006-2014). The data show wide disparities between the BRICS economies. With a score of 4.5 and a rank of 36 out of 148 world economies, South Africa leads the BRICS, closely followed by China (score=4.2, rank=47). When compared to 2013-14, while the institutions component’s value remains the same for both the economies, South Africa has improved its rank from 41 to 36. It has the most competitive institutional environment in BRICS, mainly due to the independence and efficacy of the judiciary, property rights and corporate governance. Brazil had a substantial drop in rank and values both. India slightly improved. Russia has shown a tremendous jump in its rank and a bit improvement in value as well, but it still remains the lowest amongst BRICS.

When we look at the trends in Figure 3, South Africa maintains a constant top position but India is seen to drop harshly from an institutional environment matching South Africa in 2006 to a much lower place now (rank 72 out of 144). This clearly indicates deteriorating situation due to high levels of corruption, cumbersome bureaucracy, lack of reforms and weak law enforcements. China shows a remarkable
increase and is continue to maintain that. Brazil and Russia have failed to show much change but recent years evidence an improving trend in Russia but not in in Brazil. Institutional framework in Brazil shows a lack of sufficient progress.

![Graph showing Institutions score (GCR), BRICS, 2006-07 to 2014-15](Source: Global Competitiveness Report, 2006-07 to 2014-15)

**Figure 3: Institutions score (GCR), BRICS, 2006-07 to 2014-15**

*Business sophistication:* South Africa is a leader in business sophistication also, due to its supreme marketing practices, distribution network and cluster development. China, Brazil and India follow, with Russia still lagging behind. But the point of concern is falling values and ranks of Brazil and India, which hinders their competitive edge. Russia continues to improve in 2014.

*Innovation:* In terms of innovation, China leads the BRICS, followed by South Africa and India. China leads due to its huge spending on advanced technological products and research and development. Brazil and Russia are at a mid-position but Brazil shows a fall and Russia again shows a remarkable improvement.

### 5.6 World Governance Indicators (WGI)

Table 7 presents the score of BRICS economies on six dimensions of governance in 2013 i.e. voice and accountability (VA), political stability (PS), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and control of corruption (CC). Score ranges from -2.5 to +2.5, with higher values representing better governance performance.
Overall, South Africa outperforms rest of the BRICS economies in all the six dimensions of governance. Only Brazil seems around but that too is not very convincing. When we see the worst performance, Russia again shows lack of governance quality on three out of six dimensions, India performs worst on two dimensions and China on one.

**Table 7: Governance Score for BRICS, 2013 (Score from -2.5 to +2.5)**

<table>
<thead>
<tr>
<th>Country</th>
<th>VA</th>
<th>PS</th>
<th>GE</th>
<th>RQ</th>
<th>RL</th>
<th>CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0.37</td>
<td>-0.28</td>
<td>-0.08</td>
<td>0.07</td>
<td>-0.12</td>
<td>-0.12</td>
</tr>
<tr>
<td>China</td>
<td>-1.58</td>
<td>-0.55</td>
<td>-0.03</td>
<td>-0.31</td>
<td>-0.46</td>
<td>-0.35</td>
</tr>
<tr>
<td>India</td>
<td>0.41</td>
<td>-1.19</td>
<td>-0.19</td>
<td>-0.47</td>
<td>-0.10</td>
<td>-0.56</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>-1.01</td>
<td>-0.75</td>
<td>-0.36</td>
<td>-0.37</td>
<td>-0.78</td>
<td>-0.99</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.58</td>
<td>-0.06</td>
<td>0.43</td>
<td>0.41</td>
<td>0.13</td>
<td>-0.12</td>
</tr>
</tbody>
</table>

*Source: World Governance Indicators, 2013*

**Voice and accountability (VA):** It reflects “perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.” A major source for this dimension comes from Freedom House data sources, which we have already discussed in previous headings. South Africa with a score of +0.58 shows a better participation by its citizens in government as well as freedom with regard to various aspects. It is closely followed by the largest democracy in the world i.e. India and then Brazil. China along with Russia lags far behind with large negative scores, showing the restraints on rights and lack of freedom.

**Political stability and absence of violence/terrorism (PS):** It reflects “perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.” All the BRICS economies perform dismal on this dimension, with South Africa having better position than others and India occupying the last place. Negative score for all the five economies clearly shows an instable political environment and prevalent violent or terrorist activities in these countries.

Such a high negative score of -1.19 is not surprising for a country like India which is all surrounded by hostile neighbours and homes to a wide diversity of people. Religious riots, terrorist attacks and frequent violent activities in Eastern India and the
state of Kashmir are common in the country, which surely makes its unity and stability questionable.

*Government effectiveness (GE):* It reflects “perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.” South Africa gets a good positive score showing an appreciable performance by its government. South African Government established a Department of Performance Monitoring and Evaluation (DPME) in its presidency to improve the public sector service delivery and assess the performance of government departments.

China, Brazil and India have intermediate places with negative but small scores. Russia again performs worse on this dimension indicating the lack of administrative reforms, poor quality of public services, burden of political pressure and absence of transparency.

*Regulatory quality (RQ):* It reflects “perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.” Except South Africa, only Brazil gets a positive score for this dimension. South Africa shows better regulations, their implementation and quality than other BRICS countries. China, India and Russia score negative, with India giving the worst performance. This shows the lack of appropriate regulatory framework to promote entrepreneurship and support dynamism.

*Rule of law (RL):* It reflects “perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.” South Africa with a small positive score holds an in intermediate position globally but leads in BRICS grouping. All other countries in the group have negative scores. Russia has the worst position with a negative score of 0.78.

Negative scores reflect poor conditions prevailing in these economies like, weak laws to enforce contracts, lack of protection to property rights, illegal detentions, police brutality, ineffective judicial systems lacking independence from executive branch, injustice to masses and widespread violence and clashes.

*Control of corruption (CC):* It reflects “perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.” BRICS grouping performs worst on this dimension with negative scores for all five countries, indicating that corruption runs deep within their systems.
The weakest amongst BRICS is Russia, which owns one of the largest bureaucracies in the world. In India, corruption is all pervasive in government, business world, police and judiciary. China also follows the trend. Anti-corruption campaigns by leaders are merely superficial. Although Brazil and South Africa have best control over corruption relative to rest of the BRICS countries but individually they also represent inadequate anti-corruption systems and lack of accountability and transparency in their workings. In South Africa, the African National Congress (ANC) has been criticised for charging fees for access to top government officials.

5.7 Index of Economic Freedom’s components (IEF)

Table 8 presents the score of BRICS on some components of Index of Economic Freedom in 2013 (‘13), 2014 (‘14) and 2015 (‘15). Scores ranges from 0 to 100 with higher score representing more freedom.

Table 8: Index of Economic Freedom components, BRICS, 2013-2015 (0-100 scale)

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<tr>
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<tbody>
<tr>
<td>Brazil</td>
<td>50  50  50</td>
<td>53  53.8  53.6</td>
<td>57.2  49.8  52.1</td>
<td>60  60  60</td>
</tr>
<tr>
<td>China</td>
<td>20  20  20</td>
<td>48  49.7  52.1</td>
<td>62.6  61.9  63</td>
<td>30  30  30</td>
</tr>
<tr>
<td>India</td>
<td>50  50  55</td>
<td>37.3  37.7  43.3</td>
<td>73.6  74  48.7</td>
<td>40  40  40</td>
</tr>
<tr>
<td>Russia</td>
<td>25  25  20</td>
<td>69.2  70  76.3</td>
<td>52.6  55.8  58.9</td>
<td>30  30  30</td>
</tr>
<tr>
<td>South Africa</td>
<td>50  50  50</td>
<td>74.7  74.5  73</td>
<td>55.6  54.4  61.6</td>
<td>60  60  60</td>
</tr>
</tbody>
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Property Rights: This component measures the degree to which private property rights are protected in a country. Rights must be protected by properly enforced laws and independent judiciary. On a scale of 0 to 100, none of the BRICS country shows much change from 2013 to 2015. India (55) scores the best but still not representing a satisfactory position globally. An independent judiciary functions in India but it remains costly and overburdened with millions of pending cases. Protection of property rights including intellectual property rights remains weak.

Brazil and South Africa score 50. In these countries, property rights are better protected and contracts are secured, but the judiciary remains slow, inefficient and
influenced by political and economic pressures. With a score of 20, Russia and China represent highly inefficient judicial systems with seriously deficient property rights laws and insecure contracts. In China, all land is state owned.

Business freedom: This measures the ease of starting, operating and closing a business in a country. Russia leads here, closely followed by South Africa. Brazil and China hold intermediate positions and India finds the last place. The business environment has improved in Russia over the years. Less than four procedural requirements to form a business clearly prove the edge but licensing requirements are still an obstacle. In South Africa, a business can be established within 20 days following five procedures without any minimum capital requirement, but obtaining licenses is a cumbersome process here also.

Lengthy bureaucratic procedures are common in Brazil and China, consuming a lot of capital and time of entrepreneurs. It may take around 400 days to obtain permits in Brazil. In China it takes huge amounts costing more than three times the average annual income level to complete the requirements. India has around 25 days process to launch a new business which can cost almost 10 times the average income level.

Labour Freedom: This component measures the rules and laws governing country’s labour market. India scored quite well on this aspect till 2014 but has drastically fall in 2015 due to the low labour productivity. Its labour market lacks flexibility and remains underdeveloped. One of the main problems in India remains the low participation of women in the workforce. India has the lowest percentage of working women outside the Arab world.

Now, China leads on this dimension with relatively better labour regulations. Brazil performs worst here. Labour market in South Africa, Russia and Brazil is surrounded by stringent regulations which hinder employment growth and productivity. Some main concerns are restrictive hiring and firing practices and inflexibility of wage determination.

Financial Freedom: It measures the efficiency of banking and financial sector and their independence. All five countries maintained same scores from 2013 to 2015. Brazil and South Africa score 60 which represent their growing and diversifying banking and financial markets. South Africa has one of the largest and most developed capital markets among emerging nations. It has the best system to facilitate lending and regulate securities market, sound banking system, equity market and wide availability of financial services.

In India, financial and banking system is largely characterised by government control and constant interruptions in functioning through directives and other measures. Market is dominated by state-owned institutions and foreign participation is limited.
With a score of 30, Chinese and Russian markets are also tightly controlled by government. Large state owned institutions have primary place in their economy. Domestic private and foreign banks are not encouraged. Financial services are also not widely available and affordable.

6.0 Conclusion

The comparative analysis of BRICS economies attempted in this paper has brought out that all these economies are characterised by the availability of large markets, labour forces, skilled workforce, and lack of proper institutional framework. Even though the improvements in institutions and governance have lagged, but it does not seem to hinder the growth of FDI in BRICS. This is because a large amount of FDI coming into BRICS economies is mainly market-seeking and resource-seeking. The tremendous growth of FDI in BRICS also shows that today there is a need to reject the global mindset that the nations should conform to norms, values, and business models of the West to attract foreign investments.

Some of the important characteristics of BRICS economies on the basis of the above analysis can be summed up as follows:

- They cover more than a quarter of the world’s land area over three continents.
- They comprise of 40 percent of the world’s population (3 billion people).
- They have a large reservoir of labour force (demographic dividend).
- They have average unemployment rates except in South Africa.
- Impressive literacy rates except in India and thus increasing skilled labour.
- Except for South Africa, they all have large market sizes and rank amongst top ten global economies.
- Increasing GDP but lower per capita GDGs showing low purchasing power of people.
- Satisfactory interest rates except in Brazil.
- High inflation rates except in China.
- Culture: preference for power distance and hierarchy; collectivist culture; masculine society; mixed attitude towards uncertainty; long term orientation; and restrained societies.
- An advantage of language proximity due to widely spoken Chinese, English, Hindi, Portuguese and Russian languages.
- Prevalence of civil legal system (codified procedures) except in India.
• Free democracies except in China and Russia. In reality, however, all BRICS countries have several loopholes and restraints with regard to political rights and civil liberties.

• On the basis of GCR components, BRICS encounter below average ‘institutions’; there is worsened business sophistication except in South Africa and insufficient innovations except in China.

• On the basis of World Governance Indicators, BRICS clearly have highly unstable political systems plagued with crime, violence and corruption. Inefficiency of government, and rules and regulations is widespread. South Africa performs better when compared to other BRICS nations but has unsatisfactory global scores.

• On the basis of Index of Economic Freedom, all BRICS countries are somewhere on intermediate positions for property rights and business, labour and financial freedoms.

References

Global Competitiveness Reports (GCR), World Economic Forum.


