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BRICS ECONOMY: AN APPEALING INVESTMENT OPPORTUNITY ON THE INTERNATIONAL STAGE

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Abstract

This study focuses on five developing countries: Brazil, Russia, India, China, and South Africa (BRICS), their economy, and their strategy to develop the alliance called BRICS. The BRICS nations are growing power of the world's major emerging economies because of their abilities to produce large number of manufacturing products, supplies of raw materials, natural resources and the advantage of geographical locations and demographic attributes. Governments of BRICS countries also emphasize developing their infrastructure and providing some attractive facilities to foreign investors for increased investment. There are fewer barriers to conduct international business with BRICS countries. It is predicted that BRICS economies are going to overtake the economy of G8 nations. The effects of the BRICS agreement are quite nicely pushing up the growth of the economy of member countries, and they are getting the central attraction of multinational companies for FDI and other international businesses. This study also emphasizes how BRICS countries are planning to make their alliances stronger in becoming key players in the international business arena as well as in global politics.

Keywords: BRICS; economic growth; emerging economies; FDI; international business; investment opportunity

1. Introduction

The advancement of industrialization, transportation, multinational corporations, outsourcing and globalization accelerate the growth of the international business. International business has significant



impact on any nation's economic growth, and by involving and advancing in international business, a country would expand its prospects outside certain boundaries. Moreover, success in international business gives a country a robust position in world politics. Therefore, countries are not only concentrating on developing the infrastructure to achieve growth in international business but also looking forward to building coalitions with other countries to exercise the comparative advantage of each other and establish themselves an important in the global stage.

Over the last decade, the BRIC, now BRICS, term has come to the buzzing attention of the entire world. BRICS exemplify the rising supremacy of the world's significant developing economies and their possible influence on the global economic and, gradually, political order. Brazil, Russia, India, China, South Africa, all five members of BRICS are current members of the United Nations Security Council, - Russia and China are permanent members with veto power, while the rest are non-permanent members currently serving on the council (www.un.org). The BRICS countries cover quarter of the world's geography collectively, and more than 40% of world population lives in BRICS countries (brics6.itamaraty.gov).

2. Background

The BRICS group started life casually when its predecessor, the BRIC bloc, was identified in the year 2001 by Jim O'Neill, a Goldman Sachs economist, as leading large and dynamic economic growth prospects for the economies of Brazil, Russia, India and China. These countries share two common characteristics, and these are a large population and an impressive rate of economic growth. In 2009, these four countries set for the first summit in Yekaterinburg where the depth and scope of the dialogs among the members about improving the *global economic situation* and reforming *financial institutions* gathered momentum. BRIC was in the urge to include one African nation in its coalition to avoid doubts as well as utilize the emerging market in Africa. Hence, in 2010, South Africa was included in the group and the group was renamed BRICS. After the Yekaterinburg Summit, five annual Summits were held (Brasilia, 2010; Sanya, 2011; New Delhi, 2012; Durban, 2013; and Fortaleza, 2014), coming to conciseness in strengthening the group into two pillars (brics6.itamaraty.gov):

(i) Coordination in multilateral fora, with a focus on economic and political governance. BRICS aiming



towards reforming the structures of global governance, especially in the economic and financial fields- Financial G-20, International Monetary Fund, World Bank - as well the reform of political institutions, such as the United Nations.

(ii) Cooperation between members in the area of finance, agriculture, economy and trade, combating transnational crime, science and technology, health, education, corporate and academic dialogue and security, among others.

3. Objectives of the Study

Each country of BRICS nations has its unique comparative advantage that makes it a major recipient of foreign direct investment (FDI) as well as an increasingly important destination for outward investors. In addition, each nation contains vast natural resources and large populations.

In view of this background, the objectives of the study are:-

- To introduce the BRICS nations and share a Comprehensive description of the economy in each nation.
- To discuss reasons why BRICS countries are growing in importance on the international stage.
- To describe the internal and external forces that may influence organizational success as it relates to these countries.

4. Methodology of the Study

This study is based on secondary data. All the data and charts, graphs etc. have been collected from similar researches conducted on BRICS countries. This review is a descriptive analysis of findings published by electronic journals. This study summarizes the related researches conducted on economic condition of BRICS countries, prospects of BRICS economies, and positive and negative factors of foreign direct investment in BRICS countries.

5. Overview of BRICS Economy

BRICS countries are considering a valued place for foreign investment because of the impressive rate of economic growth and large number of population. As of 2014, BRICS countries represent at least



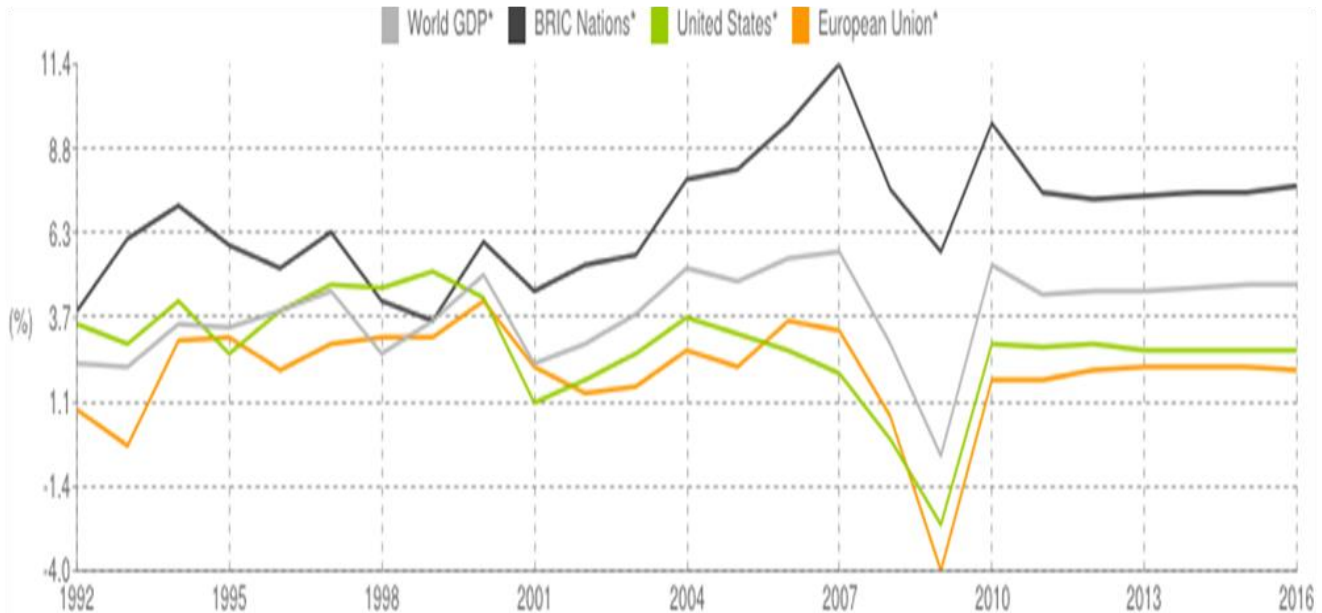
18% of the world economy and 3 billion people. BRICS nations' combined nominal GDP is US\$16.039 trillion, which is 20% of world GDP, that puts BRICS as economic union in a third place after EU (\$17.3 trillions) and US (\$16.8 trillions) (www.reinisfischer.com). It is estimated at US\$4 trillion in combined foreign reserves available in BRICS economy. GDP growth rate of BRICS economy is getting bigger every year and considering having about 40% of world economy by 2030. BRICS economies posted an average growth rate of 4.11%, which is 2.74% higher than the average growth rate of developed countries (www.g20civil.com)

Gross Domestic Product in BRICS Countries 2012/2013

	2012 \$ (bln)	2013 \$ (bln)	Growth \$ (bln)	%	% of Total GDP
China	8229.49	9240.27	1010.78	12.28	58.44
Brazil	2248.78	2245.673	-3.107	-0.13	14.20
Russia	2017.47	2096.777	79.307	3.93	13.26
India	1858.744	1876.797	18.053	0.97	11.87
South Africa	382.337	350.63	-31.707	-8.29	2.21
	14736.821	15810.147	1073.326	7.28	100

Source: World Bank

Each BRICS country is the major contributor of world GDP, where China is the most dominant economy among BRICS, also considered the second largest economy in the world. Brazil is the 7th biggest economy followed by India (10th) and Russia (11th). As a result, currently, the combined economies of BRICS have the capacity to compete with other richest alliances and highly likely to be bigger than that of combined economies of the current richest countries by 2050 (laresearchgroup.com). This prediction seems not impossible since both China and India are considered the largest suppliers of manufactured goods and services in the world, and South Africa, Russia and Brazil are three most dominant global suppliers of raw materials. Here is the speculated comparison of BRICS GDP with World, US and EU's GDP conducted by Los Angeles Research Group:



Source: www.laresearchgroup.com

6. Importance of BRICS in the International Stage

A. Brazil

During the world financial crisis in 2008, when the whole world was suffering from negative or zero economic growth, Brazil was excising an auspicious positive growth and eventually reached 7.5 % in 2010, the largest score since 1986. Brazil's total population counted 202 million in 2013, making it the world's sixth-most populous nation in the list. According to the national statistics for 2013, the 2.5% annual growth rate made Brazil the seventh largest economy, and largest once in Latin America with Gross Domestic Product (GDP) US\$2.3 trillion (www2.apexbrasil.com).

However, the growth has been sluggish for the last couple of years due to decline of the demand for Brazilian exports in Europe and Asia. Furthermore, demand for consumer goods among Brazil's large middle class was not up to the satisfactory level. Nevertheless, by 2020, it is projected that Brazil will be the fifth-largest consumer market in the world, ahead of France and the United Kingdom

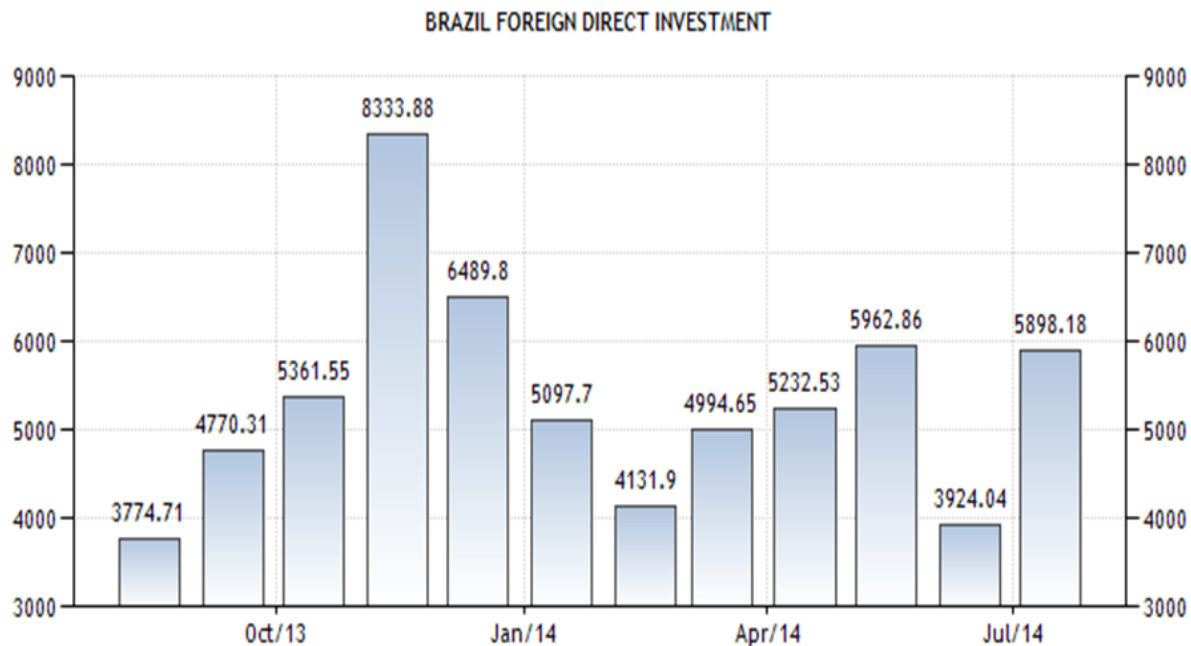


(www.export.gov). Brazil's competitive advantages presently comprise social and economic growth combined with stability and environmental sustainability, social and macroeconomic structure, strong domestic market, richness of natural and cultural assets, open markets and multilateralism, clean and abundant renewable energy, and democratic stability (www2.apexbrasil.com).

The major advantage of Brazil is that the country is one of the most valuable energy exporters in the world, in fact, one of the major contributors of the world for oil supply. Brazil's itself as well as many other countries' markets rise and fall to a great degree with the factuality of the oil market of Brazil. Brazil is the largest producer of iron ore. Brazil also has vast mineral wealth such as gold, diamonds, quartz, tin, nickel, gem stones, bauxite, chrome ore, manganese, uranium, and platinum. Brazil is now concentrating on developing its oil field to be the largest oil production growth among non-OPEC countries, sometime in the late 2020s (www.buyusainfo.com).

Furthermore, Brazil is emphasizing developing their communication infrastructure. An estimated US\$800 billion of projects are undertaken to develop Brazil's infrastructure sector for 2013 through 2017. The sum will be allocated between the energy and infrastructure sectors' development such as roads, rail, ports and airports (www.export.gov). In addition, Rodrigues (2007) mentions that, in order to boost the international business opportunity, develop economy and increase the competitiveness of export, the government has taken numerous attractive investment decisions recently, such as reduction of up to 88% of Import Duty on inputs for a manufacturing or industrial investment, exemption from excise duty on industrial goods, reduction of up to 75% on corporate income tax for legal entities, exemption from social security contributions, reduction on state VAT (ICMS) of between 55% and 100% depending on the project, and suspension of the federal duty charged on imports

Due to these plenty of prospects to invest in Brazil and available natural resources, many multinational corporations have already invested or eager to enter invest in Brazil's economy. It has been observed that foreign direct investment in Brazil increased to 5898.18 USD million in July of 2014 from 3924.04 USD million in June of 2014 (www.tradingeconomics.com).



SOURCE: WWW.TRADINGECONOMICS.COM | BANCO CENTRAL DO BRASIL

B. Russia

Russia is the world's largest country in terms of territory with immense natural resources. Russia has highly educated workforce and technologically advanced research and production capabilities. Russia's consumer market is over 142 million people and has tremendous growth potential for high purchasing power parity of the unprecedented growing income for the middle-class (www.ved.gov). During the 2000s (the ascension of Vladimir Putin), Russia's GDP had more than doubled, climbing from 22nd largest in the world to eighth (www.investopedia.com). Foreign Investors will have numerous investment opportunities in every region and every sector in Russia's economy, with the sincere assistance and patronization from federal, regional and municipal governments.

Russia contains the world's largest natural gas reserves, second largest coal reserves, and the eight largest oil reserves that are 20%, 18% and 5% respectively of the total world reserve (US DoE 1997). This gives Russia the opportunity to become one of the major hydrocarbon exporters of the world. Quite fascinatingly, Russia accounts for nearly 25% of the world's diamond production by value (www.gbreports.com). In the early 1990s, Russia implemented mass privatization with swift ownership



changes in many industries including coal and oil industries (www.tourrussia.org). Hence, there are immense potentials for the private investors to invest in Russia's oil and coal industries and achieve a sustainable margin. In addition, according to the International Atomic Energy Agency, Russia is the third-largest generator of nuclear power in the world and fourth largest in terms of installed capacity (www.eia.gov).

Another prospect of the Russian economy to invest for long term is its hugely booming consumer market. According to BRIC report 2011, the consumer boom in Russia was the result of nearly eight years of economic prosperity, which was fueled by high prices of oil and natural gas in the country, and resulted in growth averaging 6.6 percent a year. Combined with neighboring markets, Russia has about 300 million consumers who are affluent, and part of a growing middle class that boosts the consumer goods business in the country (www.thomaswhite.com). The major areas where there are plenty of opportunities to get higher return on investments are automotive, retail, food sector, IT, transport and infrastructure, and the industrial sectors.

FDI inflow in Russia has been growing exponentially after 2005 in some government's liberalizing sectors such as the power generative industries, the automotive and real estate sectors. Hence, in 2013, for the first time in its history, Russia has become the third largest global recipient of FDI flows. According to the UNCTAD Global Investment Monitor, FDI flows into Russia reached 94b USD in 2013, which is an astonishing hike of 83% compared to the preceding year (en.santandertrade.com). Foreign Direct Investment in Russia increased to 12229 in March of 2014 from 9147 in December of 2013 (www.tradingeconomics.com).



SOURCE: WWW.TRADINGECONOMICS.COM | THE CENTRAL BANK OF THE RUSSIAN FEDERATION

C. India

India is now the 10th-largest economy in the world based on market-exchange rates. However, based on purchasing power parity (PPP), India is the third-largest economy in the world (www.investinindia.com). India is one of the great example of mixed economy that is more appropriate to remove the demerits of the capitalist and communist economic systems. India is the second largest papules country in the world with a population of 1.2 billions and more than 50% of its population is below the age of 25. Moreover, India has very highly skilled human resources especially in Science, Technology, Engineering, and Mathematics (STEM), and business management sectors along with proficiency in English and entrepreneurial culture.

It is speculated that India's GDP growth rate will increase around 9% - 10% per annum for each of the next 10 years, and in this pattern, in the next 20 year India's GDP will grow five times from 8.75% per annum (in 2010), and GDP per capita will almost quadruple (www.investinindia.com). Moreover,



India's domestic savings, which is 37% of total GDP, fuels most of its investment requirements, and India has only 20% of total public debt from the foreign borrowing sources (www.investinindia.com).

India's domestic consumption has played a significant role in India's growth, which is mostly led by the private sector, and is expected to remain firm with upcoming prospect of higher employment rate and the emerging middle class population. India would be a good destination for producing and selling luxurious commodities since India's wealthiest consumers (those earning US\$1m or more in PPP terms) will increase by 40 million in the next 10 years (www.investinindia.com). In addition, Arora (2014) states that India has a robust, diversified and well regulated financial system which has allowed it to weather the global financial crisis without any major difficulties and present an image of quality, resilience and transparency. India's banking sector is strong and competitive with top quality balance sheets.

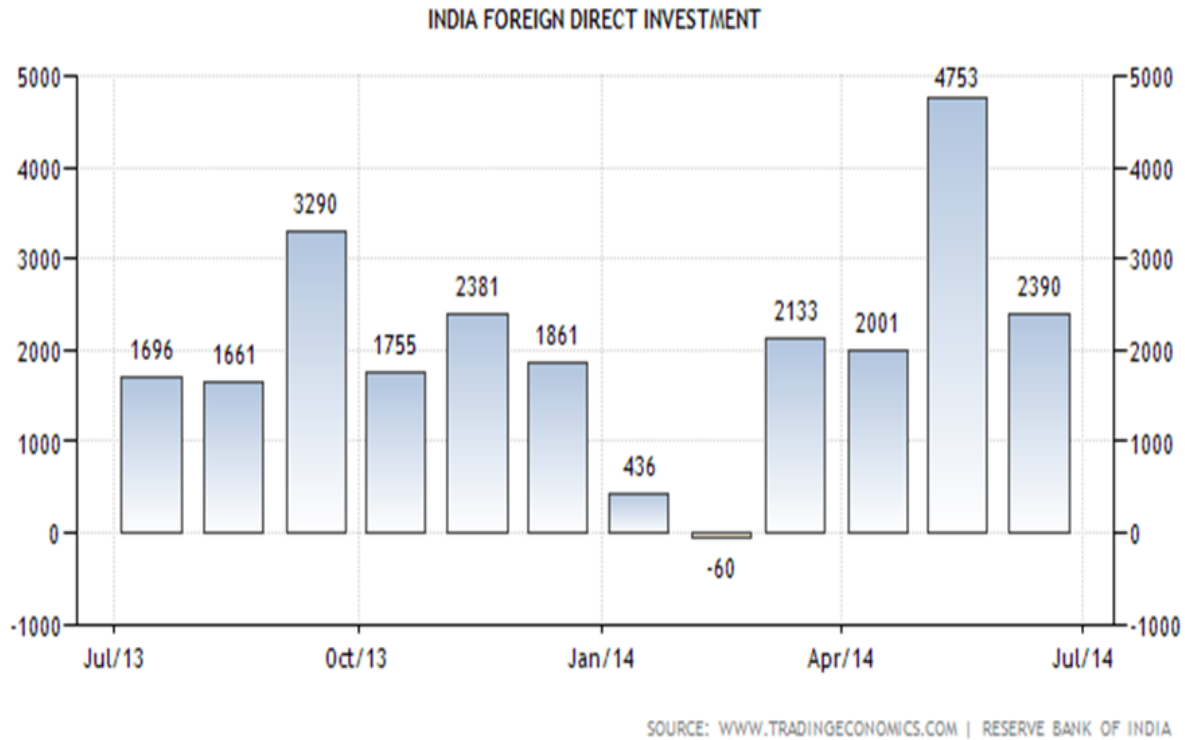
Moreover, India's government is taking various steps to further encourage private and foreign investments (www.signaturerealtyindia.com), such as reducing the long-term capital gains rate reduced to 20%, amending the exchange control regulations that were previously applicable to businesses having significant foreign participation with a view to liberalizing the Indian market, lifting the ban against using foreign trademarks/brand names, exempting both Indian and foreign firms from export earnings as per the Indian income Tax Act.

The Indian government has introduced many other significant changes to encourage FDIs in the country. For example, the Securities and Exchange Board of India (SEBI) recently formulated the guidelines to encourage the operations of foreign brokers, on behalf of registered Foreign Institutional Investors (FIIs), in India. Due to this, the foreign brokers can now set up Rupee or foreign currency-denominated accounts to credit inward remittances, brokerage fees, and commissions (www.state.gov).

In addition, the Reserve Bank of India (RBI) opened the wide door for foreign investors to invest 100% in the construction sector. In the March 1995 budget, Indian government lowered 15% of custom duty rate (www.signaturerealtyindia.com). This decision attracted foreign investors to invest in India to get advantage of saving money from imported raw material and earn more by exporting finished products. Many Europeans and U.S giant firms are setting up their branches in India and utilizing the



full advantages of Indian resources as well as favorable rules and regulations. Foreign Direct Investment in India averaged 997.70 USD million from 1995 to 2014 (www.tradingeconomics.com).



D. China

From 2011 to 2020, O'Neill has assumed average growth for the BRICS countries of 6.6% a year, less than the 8.5% average in the previous decade and most of it up to now has come from China (Magalhaes, 2013). Much of the development of BRICS depends on China as the country is bigger than the other four nations in term of both population and GDP, and the 2nd largest economy in the world according to both GDP and PPP. According to the World Bank Report (2014), last year, the Chinese GDP was worth 9240.27 billion US dollars and this value represents 14.9 percent of the world economy. China's leading position in export and second for import makes them the world's second largest trading nation behind the US. From 2009-2011, its trade to GDP ratio was 53.1 percent, while its trade per capita was \$2,413 (www.economywatch.com).

Large market and huge population are the two biggest advantages of China. China's economy is



gradually proceeding toward urbanization and 50% of total populations are expected to move towards urban city and adapt urban lifestyle. It means that at least 700 million Chinese will change their lifestyles in areas such as eating, drinking, dressing, transporting, communicating, and sheltering (www.greenway2china.com). To meet up this high market demand, China's market is turning towards internationalized and industrialized. Moreover, China's market is very diverse with lots of commodity options encouraging the investors to invest in China. China's large young population is gradually becoming highly educated in technology, science and business, and this supplies the skill of human recourses for local and international use.

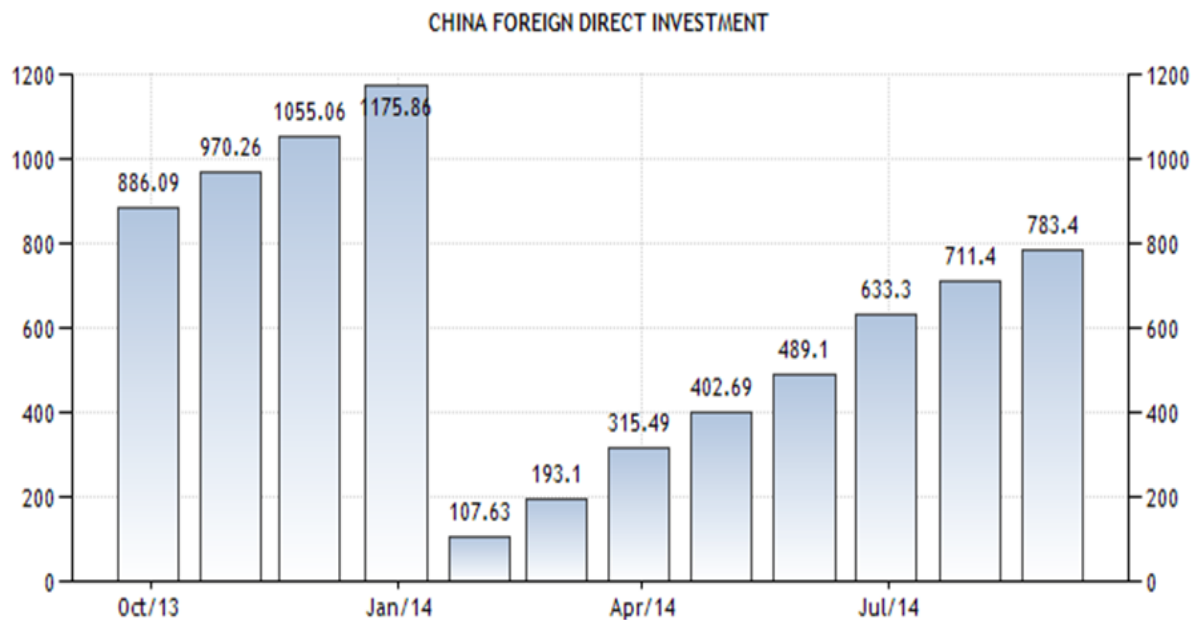
Fewer barriers to enter the market, favorable government rules and lower tariff make China a suitable foreign investment destination with higher opportunity for profit in lesser time. China has continued to move forward towards a more progressive free market system. Hill (2015) is of the opinion that the country has a tremendous untapped market for the most part with the evidenced that, between the years 1983 and 2010, the annual foreign direct investment in China increased from less than \$2 billion to \$100 billion annually (p. 20). They have proven to be very attractive and safest destination for having greater return on investment.

According to the global banking and financial review (2012), the Chinese currency Yuan is appreciating against USD, hence creating a better chance for investors to take advantage of the strength of the currency during the inflationary cycle. Moreover, Chinese business is growing and showing a strong appearance for their few multination organizations in global market such as HSBC, City Bank, and this encourages investors to invest in Chinese sectors to access easy international business transaction and mechanism. The Chinese oil sector has shown a tremendous rise in its market pattern. Moreover, the Chinese oil company (CNOOC) has a potential production rise forecast, which might go hand-in-hand with China's manufacturing and transportation sectors, the other two profitable sectors of China (www.globalbankingandfinance.com).

For many years, the Chinese Government has endeavored to develop their business options by developing their overall communication infrastructure, and now china has 98000km railway, 9356 km high speed train, 87500 km highway and 152 airports that accelerate the growth of Chinese business and attract foreign investors for convenient transportation and product shipment to every part of china as



well as the world (www.greenway2china.com). The government has developed some economic reforms and as part of that plan, China is going to eliminate the price control on lot of products and encourage investors to invest in this sector. China expanded coastal regions and open cities and development zones to test more free market reforms and to offer tax and trade incentives for investment from overseas (nationsencyclopedia.com). These trade and investment incentives have been increased foreign direct investment (FDI) that eventually became the reason for China's capital growth for the last few years. Foreign Direct Investment in China increased to 783.40 USD Hundred Million in August of 2014 from 711.40 USD Hundred Million in July of 2014. Foreign Direct Investment in China averaged 377.81 USD Hundred Million from 1997 until 2014 (www.tradingeconomics.com)



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

E. South Africa

South Africa is considered the powerhouse of investment in the African continent. Its world-class infrastructure, research capabilities, innovation, and established manufacturing base make it one of the most lucrative investment destinations. Moreover, South Africa has had a long period of political and



macroeconomic stability, transparent regularity framework, and a good supply of skill labor force. South Africa is also a very wealthy country in terms of vast natural resources, that include gold, coal, platinum, iron ore, manganese nickel, uranium and chromium, and the country enjoys favorable consideration from multinational oil companies (MNC), especially for its very precious oil and gas sector (www.dti.gov.za).

South Africa is one of the most important economic jurisdictions in Africa. The government's New Growth Path (NGP) and National Development Plan (NDP) have both identified agro-processing as a sector with high growth potential because of South Africa's wide range of climate (www.medioclubsouthafrica.com). The agriculture sector is contributing at least 6% to the country's GDP and accounting for almost 12% of South Africa's manufacturing exports, making it a crucial cog in the economy (www.southafrica.info). In South Africa, numerous industries in the manufacturing sector include agro-processing, automotive, chemicals, information and communication technology, electronics, metals, textiles, clothing and footwear, forming the foundation for the rapid growth of the country's economy. According to the South African Electrolytic Corrosion Commission (SAECC), the South African ICT market is estimated at US\$ 42.6-billion in 2013 with IT accounting for US\$ 15.08 billion and communications US\$ 27.18-billion. These sectors contribute approximately 8.2% to South Africa's GDP (www.medioclubsouthafrica.com).

Since the end of apartheid in 1994, the government has liberalized trade and enhanced international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization and reforming the regulatory environment. While this resulted in several large foreign acquisitions in banking, telecommunications, tourism and other sectors, it has made South Africa's overall macroeconomic sectors more stable, enhancing per capita income, eventually pushing the country's retail sector up. Moreover, free market mechanism in South Africa's economy and virtually the absence of restriction for entering the market for foreign investors in almost every sector make South Africa a good destination for investment. South Africa's geographic benefit, surrounded three sides by sea, is the magic advantage to attract foreign Investors.

South Africa enhanced its prospect to have higher inflow of foreign investments by opening up green field foreign direct investment opportunities. The government of South Africa is open to green



field foreign investment, which mainly involves the establishment of a new business and investment in new productive capacity, as a means to drive economic growth, improve international competitiveness, and access foreign export markets (www.treasury.gov.za). After joining the BRICS alliance, South Africa has enhanced its position to have more inflow of FDI. In the beginning of 2014, FDI flow in South Africa was quite significant at 2.32 million (www.tradingeconomics.com), and According to the worlds investment report (June, 2014), FDI inflow in South Africa reached 8.1 billions (Southafricainfo.com).



Source: www.tradingeconomics.com

7. BRICS in Global Investment

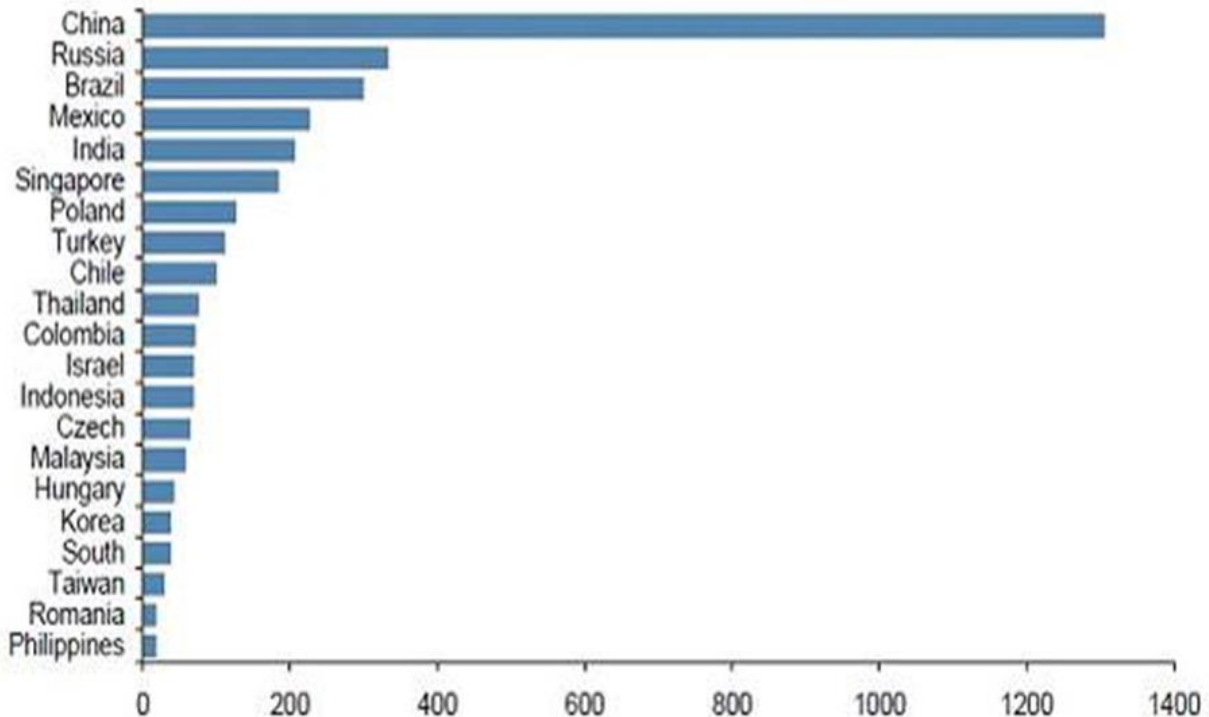
According to Global Investment Trends Monitor Focusing on BRICS (2013), FDI inflows to BRICS more than tripled to an estimated \$263 billion in 2012. As a result, this report added, their share in world FDI flows kept rising even during the crisis, reaching 20% of the global total in 2012, up from 6% in



2000, and there are a lot of chances that this trend would intensify in the coming years (unctad.org). Each country of BRICS nations has its unique comparative advantage that makes it a major recipient of foreign direct investment (FDI) as well as increasingly important outward investors, such as China and India that are the most resourceful countries in the supply of goods and services, while Brazil, South Africa and Russia are sources of amazing amounts of raw material supply in the world. In addition, each nation contains vast natural resources and large populations. Hence, global investors are already in the decision to take the right socio-economic advantages of BRICS'. Mazumder (2013) underlined that almost half (46%) of FDI flows to BRICS go to China, followed by Brazil (25%), Russia (17%) and India (10%).

Source: Reuters Blog

Cumulative FDI inflows over the last 10 years (USDbn, 2002-2011)





In addition, BRICS countries have also become important investors, their outward FDI has raised US\$199 billion from 2000 to 2012, or 9% of world flows. A significant share of BRICS outward stock is in developed economies (42%), with the bulk going to the European Union (34%) (unctad.org).

8. Future Prospect of BRICS

According to a leading global investment management firm (Goldman Sachs), if things go well, there is an incredible chance for the BRICS economies, together, to be bigger than those of the world's six most developed countries G6 (G7 excluding Canada) in USD in less than 40 years (www.thepicky.com). China is expected to overtake Germany by 2007, Japan by 2015 and America by 2041, and India could overtake Japan by 2032. It is also expected that BRICS `economies will be bigger than any western European economy by 2036. For firms looking where to invest, the most striking result is that, the annual increase in total dollar spending in the BRICS could be greater than that in the G6 (www.economist.com).

The BRIC countries have combined reserves of \$2.8 trillion and are among the biggest holders of US treasuries (articles.economictimes.indiatimes.com). BRICS joint reserve pool and a business council are also under discussion, which are expected to forge closer financial and trade ties among members (www.chinaembassy.org). BRICS countries are also looking forward to lessening dependence on the US dollar by swapping currencies as well as buying each other's bonds. Moreover, they are in the process of establishing BRICS development bank which will serve as a stimulus to development in BRICS countries, as well as in other emerging and developing countries. The new bank will provide money for infrastructure and development projects in BRICS countries (www.rt.com). There will be more advantage of doing international business in the BRICS zones with the better chance of getting easy financing from the BRICS development bank.

Since 2012, the BRICS countries have been formulating a new currency plan along with the Banking pact to improve long-term trade & stable economic growth amongst their countries (www.2point6billion.com). Gold will likely form some type of role within the new unified BRICS banking system and the currency mechanism since China and India are the two biggest consumers of



Gold on the planet, and South Africa is the largest producer of Gold. BRICS countries have agreed to set up the BRICS Development Bank total worth of \$100 billion with additional reserve currency pool over \$100 bn (www.rt.com). BRICS Development Bank will counter the influence of western-based lending institutions and its currency could reduce the influence of dollar. Hence, it is quite obvious that there are vast prospects of growth for the multinational companies to invest in BRICS countries.

9. External and Internal Forces of BRICS Countries

A. Brazil

Brazil is full of richness in natural assets. The country is one of the major contributors of the world in oil supply, and concentrating developing their oil field to be the largest oil production growth among non-OPEC countries sometime in the late 2020s (www.buyusainfo.com). Availability of energy supply for industrial growth is the major advantage for any foreign investors to enhance their growth in Brazil. Brazil has largely invested to develop its infrastructures such as roads, rail, ports and airports, and investment in the infrastructure, construction, transportation and other sectors will reach \$50 billion by the end of 2016 (www.export.gov). Robust infrastructure and transportation facilities are the most significant aspects that international business organizations are looking forward to having in a country to progress, and Brazil has ample of those.

Brazil has been experiencing a continuous social and economic growth for the last decade. Moreover, political stability and environmental sustainability are the two most influential internal aspects for international business to grow and achieve success. Brazil's economic structure such as open markets mechanism and multilateralism are also eye-catching internal factors to the international business community's long term investment interests. Moreover, Government's varieties of given opportunities, for example reduction of up to 88% of import duty on inputs for a manufacturing or industrial investment, makes Brazil a more valuable destination for international business (Rodrigues, 2007).

Many multinational organizations are curious to establish their subsidy to exploit government policies of exemption from excise duty on industrial goods and reduction on state VAT (ICMS) of between 55% and 100% depending on the project, and reduce MNC's high volume of VAT and duties



imposed in their domestic market as well as economy in other countries. In addition, Brazil's central bank lower interest rate policies and control and stable inflation rate, which was 6.3% in April 2014, promote high economic growth and sustainability (www.export.gov). Much of the organizational success would mostly depend on the Brazilian government's standard policies such as lower bureaucracy, large number and variations in populations, lower unemployment rate, geographical advantages and large size of the economy.

B. Russia

The most appealing fact that can influence any big investor to invest in Russia is the country's immense amount of natural resources. Russia is the world's third largest oil producer with average production at 10.5 million barrels per day (bbl/d) through September 2013. Russia was the second-largest producer of natural gas in 2012 (www.eia.gov). More importantly, according to the International Atomic Energy, Russia is the third-largest generator of nuclear power in the world and fourth largest in terms of installed capacity (www.eia.gov). These all-adventitious factors can ensure any large industries to achieve substantial growth in the long-term.

The Russian government-led privatization and reform programs opened up MNC's prospect in Russia's high yield market. A number of Russian state-owned companies have sought foreign investors, including few largest state owned manufacturing industries as well as state owned bank. Newly privatized sectors such as oil and gas are also very profitable investment sector to international investors (www.globalpost.com). Moreover, there are tremendous chances to invest in Russian power generative industries, automobile and real estate sectors to meet up the constant urbanization that has been taking place for many years. The Russian government also widens the door to invest in the country's infrastructure and transportation sectors. In order to execute the appropriate privatization policies, the Russian government is moving toward the pure market based economy with more encouragement of price competition, discouragement of monopolies and more scope to free and fair trade. Moreover, taxes are likely to be more liberal and transparent to the foreign investors.

Both demographic and geographic factors are quite influential in bringing foreign investors to Russia. Russia is the world's largest country in term of territory, and more natural resources might be



discovered in the country. Russia's consumer market is over 142 million people, and Russia has about 300 million affluent consumers. Russia has tremendous growth potential for high purchasing power parity of the unprecedented growing income for the middle-class and that boosts the consumer goods business in the country (www.thomaswhite.com). Russia has highly educated workforce and technologically advanced research and production capabilities (www.ved.gov). Another very important fact that the MNC should closely look at in consideration of investment in Russian is the unprecedented huge hike of GDP in Russia in the last decade - that make them 8th largest economy- and seems to be more promising in the near future (www.investopedia.com).

C. India

India's Ministry of External Affairs reports that its higher disposable incomes, rising middle class, investment friendly policies and forward-thinking reforms all make India an extremely attractive place for foreign investors (www.state.gov). India is a growing economy in which there are plenty of internal and external opportunities all around for the growth in business. Large population is the country's most remarkable external and internal force since the large population with growing income gives businesses massive market as well as enables them access a large pool of talents for organizational excellence.

Apart from the large market of customers, another significant force that helps MNCs in India is the favorable investment policies and investment sectors. For the last decade, Indian government have been endeavoring to make India's economy the best for investment and hence, in 1995 custom duties have been reduced more by 15 % followed by the decision of the long-term capital gains rate reduced to 20% for foreign companies (www.signaturerealtyindia.com). The government aims to increase India's share in global FDI to 5%, and with that target, the new government tenure has started with its second important agenda to improve infrastructures and attract investments (www.investinindia.com). More importantly, Government gives permission to investors to set up 100% subsidy in India- no local ownership is required (www.signaturerealtyindia.com).

Another adventitious external factor is higher economic growth of India. Higher domestic consumption and higher domestic savings plays a vital role behind this higher growth rate that is considered to be sustained in the long run (www.investinindia.com). It has boosted higher middle class



as well as relatively higher number of wealthy people compared to India's contemporary economy. It also enhances social mobility, lower unemployment and educated workforce. Moreover, long-term foreign investment seems quite auspicious due to India's ideal mixed based economy, constructive democratic practices and lower debt which is just 20% total public debt (www.signaturerealtyindia.com).

D. China

The most significant fact about China is that China's Government made many rules that are considered much favorable to foreign investors. China is considered the world second largest economy and an easy investment option, includes lower tariffs or few barriers to enter market, and attracts the most investors with their updated profit margin plan. China expanded coastal regions and open cities and development zones to test more free market reforms and to offer tax and trade incentives to attract investment from overseas (nationsencyclopedia.com). The added attraction is that the Chinese economy is gradually moving forward to free-market. On top of this, the Chinese overall communication infrastructure has developed significantly in the last ten years, and has influenced foreign investors to approach china as a safe and profitable business destination.

China's economy is very strong and moving fast. The World Bank's International Comparison Project (ICP) recently released comparison between GDP estimates for the world's economies for 2011, and found that China's economy had caught up so close to the U.S. Its economy is likely to surpass the U.S.'s (Tencer, 2014). This economic growth makes higher the Purchasing Power Parity. Moreover, massive urbanization and marketization in China are the two other most important factors that make China a good market to start business. But the more important factor is China's gigantic market size- 19% of world population lives in China (nationsencyclopedia.com).

Besides China's large market size and healthy economy, China has plenty of natural resources that cover world's 19% of resources which includes coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, rare earth elements, uranium as well as world's largest hydropower potential (www.indexmundi.com). These are much-needed factors for commercial importance. Moreover, China's oil sector is growing remarkably



and there are some speculations for further improvement in this sector which might play a vital role in developing manufacturing sectors. In addition, china's manufacturing and agriculture sectors have been proven excellent because of the hard working workforce, and China's other sectors are continuously emerging with sophisticated touch of very skilled and educated young workforce. So the population – in term of consumers or workforce- is a very persuasive factor for MNCs to start business in China.

E. South Africa

South African government's recent announcement on Green Field investment appeals to foreign investors to invest in innovative and productive sectors (www.treasury.gov.za). In addition, the government's several policies, including lowering tax, import control and vast privatization, makes South Africa a more beneficial place for foreign investment. Recent government policies have been focused on fiscal and monetary discipline which are seen in lower inflation, low budget deficit and stable and strong currency. The Industrial Policy Action Plan has also provided incentives to industries (leydon, 2010). Along with these facts, South Africa's very stable political atmosphere that gives full supports for foreign investors to invest and grow and enrich free market mechanism are considered very important facts for choosing South African market to grow business.

South Africa is the most developed nation in the African continent, and its plenty of natural resources and skilled human resources play the main role behind this development. South African industries' development, to some extent, depends on the huge access of utilizations of energy generative resources, especially oil, gas, coal and uranium, and tremendous opportunities for the future. Therefore, the mining sector might be the top performers to invest in. South African educated and skilled workforce are also considered to be strong factors that will enable foreign investors more confidence to invest in numerous sectors, such as in automotive, information and communication technology, medical, education, and electronics sectors. Moreover, investors can have better access to South Africa's very developed transportation and communication infrastructure, especially the five big sea ports in Cape Town, Durban, East London, Port Elizabeth and Saldanha Bay (www.transnet.net).



F. Negative forces

There are some negative forces that might affect the success of corporate investment in the BRICS nations. Political and social tension is the most important issue that the multinational companies need to deal with. The issue of the riots in 2014 in Brazil arising from the erosion of income caused by high inflation, bad quality of public services in general, and frustration of the “new middle class” about the lack of further improvement in living standards can be seen a long term issue to solve (www.businessinsider.com). Moreover, corruption in India is a most prevailing issue that hampers the right flow of investment and transparency. Investment is not saturated in India as expected because of the high-level bureaucracy and political volatility. Corruption is also a major issue that affects investment in Russia.

Most of China’s organizations are state owned and the market is yet to be free. Many of the largest companies are state-owned enterprises, meaning that even though it is possible for foreign investors to own a stake, shareholders may find themselves relegated to second priority behind the government (Wall, 2013). Moreover, there is always a question about transparency issues due to scenarios where company’s accounts are incomplete or incorrect. High unemployment rate and political tension due to inequality issues in South Africa might be considered closely before taking investment decisions out there.

Like china, Russia’s economy is still under the strong influence of the government and free market mechanism is struggling. Russia has not set any rules and regulations to safeguard investors. Some social tensions and ethnic conflict emerged after the Soviet Union. Russia has always a cold political tension with the U.S.A and Europe, leading to international business disruptions, especially with the business owned by investors from the U.S.A. Economic sanctions against each other in different occasions due to political tension have made a complete shutdown of business (especially export and import) during the period of sanctions. Recently in 2014, the on going tension between Russia and Ukraine became severe when the Russian military invaded Ukraine. This tension prompted many countries to apply sanctions against business and officials from Russia and Ukraine. On the contrary, Russia also responded with sanctions against EU, U.S.A, Canada and Australia. This is a severe blow to



Russia, leading the country to recent financial crisis, and similar social tensions are creeping up every moment within other neighboring countries and causing economic disadvantages for Russia.

Among the BRICS nations, there are some political tensions still unsolved that could create big solidarity crises such as the border issue between China and India. In addition, there are some protectionisms of trade going on among the BRICS members against the free trade, for example India has banned import of toys from China for showing some safety reason to safeguard their domestic toy industries (Hill, 2014, p 289).

10. Conclusion

All five members of the BRICS are creating a single platform where they can share their comparative advantage in terms of value, economics, political structure and geography to enhance their perspective on the global economic order, figure out some alternative perspectives, and realize their desire to have greater influence in international commerce and economic policy. The five nations combined hold less than 15 percent voting rights in both the World Bank and the International Monetary Fund, yet it is predicted that their economies might surpass the G7 economies by 2032 (Dresen, 2011).

Goldman Sachs economist, Jim O'Neill, who used the acronym BRIC in his report called "Building Better Economic BRICs," said, "The aggregate growth of the BRIC economies has been so much faster than I envisaged, in the most optimistic scenario, they could rise from around the 8% of global GDP they were to about 14% today. In fact, they are closer to 20%". This high growth is the consequence of utilizations of the enormous favorable resources. Without these four countries, global growth would be below 4%; hence, BRICs nations are gradually becoming the healthiest of the world's super economies, and growing in importance on the International stage (Rapoza, 2011). This conclusion applies to the extant BRICS bloc.

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