WHAT IS THE INFLUENCE OF INTERNATIONAL TRADE ON ECONOMIC GROWTH? : META-ANALYSIS ON THE COUNTRIES OF BRICS

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ABSTRACT

This research paper examines how trade relations affect developing nations' economic growth. The report's introduction provides an overview of global trade and its relationship to economic growth. The theoretical frameworks employed to explain these links will be discussed, including the dependency theory, modernization theory, and the classical and neoclassical trade models. The study's focus on rising economies, such as Brazil, Russia, India, China and South is also discussed. It examines how their rapid expansion may affect developed and emerging nations positively or negatively, depending on whether it is complementary or competing. It considers the primary transmission channels while concentrating on global trade, finance, investment, and migration. The critical question is whether these five nations will be the new drivers of global economic growth in the future. The analysis demonstrates that policies that support trade openness and diversification impact economic growth. China's rapid expansion already fosters growth elsewhere, mainly serving as an export market. India and Brazil also can do the same in the future, but South Africa still needs to show this potential. These nations may offer resources for investment and productivity-enhancing technologies in the future. The transition and catching up could take fifty years or more. Nevertheless, the world's economic structure is already beginning to change due to emerging economies' rapid growth.

Keywords: Globalization, Economic Trade, Financial Patterns, Developing Nations

Introduction

The dependency on International trade has become a significant aspect of many countries' economic growth. Emerging economies increasingly rely on international trade to boost economic growth and development. The main factors that led to the economic expansion of the group were an increased input of factors and enormous scales of population and resources. For
example, Brazil and Russia are mainly based on huge reserves of mineral resources and speculations made in international markets. China has the advantage of cheap labour and resources at low prices. India is also based on a low-cost workforce. And finally, all the BRICS countries, except Brazil, show very high rates of investment. The current concern is to estimate whether the BRICS countries will have the same upward trend given the weakness identified within them: the high level of corruption, political ideologies, over exposure to commodities etc.

Increases in efficiency, specialization and access to more significant markets are all advantages of international trade. This research paper examines how global commerce affects emerging economies' economic growth rate. The study focuses on five emerging economies- South Africa, China, Russia, Brazil, and India - and evaluates their trade patterns and financial indices. The report also examines how policies that support trade openness and diversity contribute to economic growth. The paper will discuss the literature overview on international trade and economic development in emerging economies. It will then provide an overview of the methodology used in this study. Finally, the paper will present the findings of the research.

**Literature review**

In emerging economies, trade has been a critical factor in economic growth. Adam Smith, the father of modern economics, asserted that trade between nations boosts economic productivity and efficiency by enabling countries to focus on providing commodities and services in which they have a comparative advantage. International trade also allows companies to access new customers and grow their markets, boosting sales and profitability.

The ability of international trade to assist rising economies in diversifying their revenue streams is one of its main advantages. Emerging economies can make more money and less dependence on home markets by exporting goods and services to other nations. by reinvesting this income in their economy. They can boost economic growth and development. For instance, World Bank research indicated that between 1990 and 2008, foreign commerce accounted for around 60% of the evolution of emerging economies. The study also discovered that nations with open economies saw faster rates of economic growth than nations with closed economies.

The International Monetary Fund, in another study, an increase in exports of 10% is linked to a 1% increase in GDP in emerging nations. The study also discovered that employment and eradicating poverty in these economies had impacted international trade positively. Conversely, other academics contend that emerging economies might also suffer from the adverse effects of global trade. For instance, some argue that greater competition from overseas business may result in employment losses in specific economic sectors. Others contend that developing nations risk becoming overly dependent on exports, which could make them more susceptible to outside
shocks like shifts in demand or pricing worldwide.

**Methodology**

This study employed a qualitative research methodology to examine how international trade affects economic growth in emerging economies. The study concentrated on a sample of five developing nations, including Russia, India, China, Brazil, and South Africa. The study examined how international trade affected these nations' economic growth using a study methodology including academic articles, government reports, and industry publications. The keywords used in the search included "international trade," "economic growth," "emerging economies," and "developing countries."

**Data Analysis**

The study's findings show that global trade has significantly boosted growth in India, China, Russia, Brazil, and South Africa. Over the past few decades, these nations' export volumes and incomes have increased considerably. Expanding international trade has created new markets for these countries' goods and services, leading to increased growth and development.

Early trade policy liberalization in India in the 1990s resulted in a sharp rise in foreign trade and investment. As a result, economic growth and development increased, making India's economy one of the fastest-growing in the world. Due to its expanding involvement in global trade, China has also seen tremendous economic growth. The nation has grown to be a significant exporter of manufactured goods, fuelling its economic expansion.

**Export of goods by the BRICS countries from 2000-2021**

Since 2000, China has consistently been the largest exporter of goods among the BRICS
countries, and its share of exports from the bloc has increased significantly. In the year 2000, China's share of BRICS exports was just over 50 percent; in 2020, this share has risen to 74 percent. Among the other BRICS countries, Russia has always had the second largest share of exports, and South Africa the smallest, while India overtook Brazil in 2009.

Brazil and South Africa have also seen tremendous economic growth due to their growing involvement in world trade. South Africa has become a significant exporter of minerals and other natural resources, while Brazil has become a substantial exporter of agricultural goods. Increased foreign investment has benefited both nations' economies and contributed to their development.

China, Brazil, and South Africa's economic performance paint a complicated picture that only partially matches the global trends. The most notable difference is that China and India were the obvious outliers to this worldwide slowdown in growth. In both countries, growth rates in the second period were substantially more significant than the perfectly respectable growth rates in the first period. Average annual growth in GDP per capita nearly tripled in both China and India between 1951–80 and 1981–2005. They have resulted from both slower population growth rates and more excellent GDP growth rates. Yet, Brazil and South Africa were a part of the global slowdown in growth, unlike China, Russia, and India. Growth rates in the second era were significantly lower in both countries than the remarkable growth rates in the first period. So much so that between 1981 and 2005, the average annual growth in GDP per capita Brazil and South Africa was essentially non-existent. Yet it's also important to note that, between 1951 and 1980, Brazil's average yearly growth rate for GDP and GDP per capita was much larger than China's and India's.
**Gross domestic product of the BRICS countries from 2000 to 2027**

China and India can maintain rapid economic growth rates for some time. Although their relative importance may vary, Brazil can achieve high growth rates for similar reasons. First, they have a sizable population and poor incomes. Second, their demographics are favourable to growth, especially the high percentage of young people in the population, which would result in a rise in the labour force for some time to come. Third, in China and India, more than in Brazil, salaries are much lower than in the world outside, although there are vast pools of surplus labour.

Finally, new technical developments could assist in an increase in production.

But, due to already apparent limitations, China, India, and Brazil might need help to maintain their high growth rates in the real world. Potential barriers in China include the political system's viability and the falling productivity of marginal investment. Potential obstacles in India have the country's agricultural crises, infrastructure impediments, and uneven distribution of educational opportunities. Brazil's low levels and productivity of investment impose macroeconomic growth restrictions. These restrictions are illustrative rather than complete. However, these nations face many other issues that could impede progress. A catch-up scenario is still possible even if growth slows, but it takes longer.

The overall effects of economic growth in leading economies on economic growth elsewhere depend on whether such change is complementary or competitive, whether the direct effects are reinforced or counteracted by the indirect effects, and whether the impact is overall positive or negative. Economic growth elsewhere may complement or compete with economic growth in lead economies. It might be favourable because it boosts export demand, but it is also competitive in creating alternative sources of supply. It may be complementary if it provides resources for investment or funds for development. Still, it may be competitive if it pre-empts such resources for investment and finances for development. If it offers technology to others, it might be complimentary; if it stifles the development of technologies elsewhere, it might be competitive. The types of products being traded by the BRICS nations have a significant impact on their economic growth. For example, China has become the world's largest exporter of manufactured goods, which has driven its economic growth. Brazil, on the other hand, has a comparative advantage in agricultural products, which has led to its growth in this sector.

However, the line between direct and indirect effects is less apparent because the latter can occasionally be challenging to identify, let alone measure. In cases where natural products are complementary, indirect effects could be counterproductive if they are competitive. Examples could serve as illustrations. Suppose the leading economies, such as China, India, Brazil, Russia or South Africa, offer low-cost goods to other developing countries. In that case, the direct
effects might be complementary. Still, the indirect effects might be competitive if local businesses in other developing countries are moved out by competition from firms in the lead economies. Suppose companies from these leading economies invest in other developing nations. In that case, the direct effects might be complementary. Still, suppose companies from industrialized nations relocate their production and choose to invest in China, India, Brazil, Russia or South Africa rather than other developing nations. In that case, the indirect effects might be competitive. The indirect effects could be competitive if competition from the lead economies squeezes out manufactured exports from other developing countries in the markets of industrialized countries. Still, the direct impact could be complementary if these lead economies offer less expensive inputs for manufactured exports from other developing countries. Hence, the effect of economic growth in leading economies on economic growth elsewhere, in many fields, might be positive, negative, or a mix of the two. So, such an impact can be either good or detrimental. Hence, generalizations are challenging because the results might vary spatially and alter over time.

Difference in arguments

Although there are a lot of theoretical studies on the connection between trade and economic growth, there may need to be more empirical research on India, China, Brazil, Russia and South Africa. More empirical research would help us better understand how trade with other nations affects these nations’ economic development. Some literature evaluations may concentrate on particular industries, such as manufacturing, services, or agriculture. Examining how various sectors interact with one another and how global commerce affects the economy as a whole might be helpful. Political influences like laws, rules, and trade agreements can impact international trade. The precision of analysing the link between international trade and economic growth needs to improve by ignoring the influence of political considerations on global trade. Regional variances within the same country can change the impact of international commerce on economic growth. Urban and rural areas, for instance, may experience the effects of international trade differently. Ignorance of these fluctuations can lead to inaccurate economic growth predictions due to global trade. The environment can have a significant impact on international trade, and the environment can impact economic development. To effectively understand the connection between global business and economic growth, the literature evaluation should consider how it affects the environment.

Conclusion

In conclusion, global commerce has significantly increased growth in India, China, Brazil, Russia and South Africa. These nations’ export volumes and earnings have increased
considerably, fuelling economic growth and development. New markets for these nations' goods and services have opened by expanding international commerce, boosting economic development and growth. However, international trade presents specific difficulties, such as trade imbalances, the effect on regional sectors, and environmental issues. To promote inclusive and sustainable economic growth and development, policymakers in these nations must carefully weigh the advantages and disadvantages of global trade. Although the magnitude of this impact has varied, overall, international trade has had a favourable effect on the economic progress of these five countries. Nations that have promoted work, drawn foreign investment, and diversified their exports have gained significantly. Yet, to properly take advantage of these benefits, there have also been challenges that the government must consider, such as trade imbalances, protectionism, and inequality.

References


