Chapter 8
Financial and Economic Security of BRICS Countries

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ABSTRACT

With the growing tension in the global community and the instability of the overall situation, problems with financial centers and regions have arisen, and as a result, the necessity of reforms have appeared in the global governance system and in the financial and economic system. BRICS countries are very interested in solving problems and developing relations within the bloc. Each country pursues its own interest, but the emerging dialogue of countries allows them to find a compromise in complex issues. The current economic situation in the world, where Western countries speak the language of sanctions, makes BRICS countries strengthen their interaction. It concerns the provision of financial and economic security. Increased financial risks in the capital market as well as the dominance of the dollar and the euro level, push BRICS countries to strengthen the financial mechanisms. BRICS countries support the creation of a global network of financial instruments.

INTRODUCTION

In the current geopolitical and geo-economics instability conditions, when the negative consequences of regularly recurring economic and financial crises exist, the instability of the global financial system have reached a level of real economic threat for each country, - the notion “Economic security” has got a new meaning and relevance.

Within the framework of interstate relations, it is customary to highlight the economic aspects of national and international security, and in Russian science this problem has been developed quite deeply and independently of Western researchers. The fundamental difference between the national and Western “schools” of the economic security is a narrower and more specific treatment by Western experts of the term “security” of the state. In the context of the bipolar confrontation of superpowers, the main

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theoretical problem from the point of view of the “international economic aspects of security” is to find the optimal balance between the volumes and structure of defense spending, on the one hand, and the economic efficiency and competitiveness of the national economy, on the other.

The economic security of the regional association of countries (international macro-regional economic security) is viewed as the state and dynamics of the socio-economic system formed as a result of the economic integration of states, which allows to determine objectively and effectively implement regional economic goals and interests, eliminate threats in the economic sphere, ensure integrity, stability, economic efficiency and independence, competitiveness, of a sustainable growth and self-development of regional integration of countries as a subject of international relations and world economic relations in the conditions of globalization and instability of the world economy.

Assessing the economic security of the macroregion, it is necessary to note the following strengths. BRICS is a large integration grouping of a new type, with a large and constantly developing economic potential. BRICS countries account for 26% of the Earth’s territory, 42% of the world’s population and about 32.3% of world GDP. The largest GDP growth among the BRICS countries belongs to China, which brings 18% of world GDP. Russia is in the top five countries in defense and security (2nd place), China, India and Brazil are leading in the ranking on agriculture, India is the second in the field of information technology development, China is also among the five countries in the development of medicine, bio- and nanotechnologies, power engineering. All these characteristics indicate the ability of the integration group to provide economic sovereignty, sustainable economic development and the ability to grow, that is, to ensure the economic security of the subject of international economic relations.

In the 80-ies. XX century in the global economy chronologically coincided with two major processes - globalization and the beginning of modernization of Brazil, Russia, India and China. Despite the fact that Russia and China were moving away from the “command economy”, while Brazil and India remained in the market economy system, all four countries began reforms towards a mixed economy. Reforms of the BRIC countries differed in content, forms, stages, and national specifics. But the vector of reforms was aimed at creating a competitive national economy and business, improving the quality of life, creating a new center of power in world geo-economics and geopolitics.

Since the reform strategies of the BRICS countries assumed the advantages of globalization, and the most developed part of the global economy is global finance, it is necessary to analyze the processes and forms of the entry of the national financial markets of the BRIC countries into the global finance system.

Under these conditions, the creation, formation and development of the group of BRICS countries is assessed as a worthy response to the existing imbalance of forces, the elimination of contradictions and the concentration of common efforts of countries primarily on the economic direction.

One of the factors of economic growth of BRICS was a strong monetary policy aimed at ensuring geo-economic and macroeconomic goals. The Central Bank of China supported the currency regime of the fixed exchange rate of the yuan for 30 years. The course was understated, but provided financial security of the country and allowed to create additional competitive advantages in the international commodity markets. The Central Bank of Russia within the framework of the currency corridor pursued a policy of stability of the course in the interests of export-oriented industries. This policy did not prevent the devaluation of the ruble in 1998 and did not create currency incentives for the processing industries, but ensured the formation of the state budget from the currency earnings of the commodity companies by 2/3. The Central Bank of Brazil and South Africa, pursuing the policy of free currency regimes, with the task of ensuring the stability of national currencies as a whole coped.