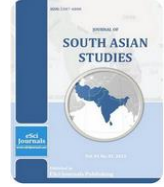




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THEORY AND PRACTICES OF ECONOMIC REGIONALISM: A CASE STUDY OF BRICS

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ABSTRACT

The BRICS is the new platform which enhances trade creates space in their regionalism process. This study is more relevant in the modern scenario, especially in the era of geographical conflicts between nation-states. This study fills the existing knowledge gap as regionalism versus multilateralism. The major argument of this study is that geographical proximity does not much influence regional integration but concerns and mutual interest are more effective factors. This study analyzes the theory and practices of economic regionalism working in the context of BRICS.

Keywords: BRICS, Economic regionalism, Economic interdependence, Political interdependence, Regional integration, Political interdependence.

INTRODUCTION

In a highly interdependent and globalized era, economic regionalism propagates the implementation of institutional arrangements designed to facilitate the free flow of goods and services and coordinates foreign economic policies among countries in the same geographicⁱ or non-geographic region.ⁱⁱ Physical and geographical proximity is often seen as a reason for conflict among countries which can be drastically resolved by the formation of economic ties. The strong economic relationships among countries reduce the chance of conflict, creating a peaceful global atmosphere possible. This notion is based on the proposition that 'trade creates space', on which the study evolves.

The theoretical contributions of Earnst Haas (1975) and Jacob Vinner (1950) were influential in deriving the research problem. Major studies in this area have been undertaken on the changing patterns of intra-regional as opposed to an inter-regional trade to determine the rate of regionalization. The BRIC Association, which started in 2009, and became BRICS with the joining of South Africa in 2010, is taken as a case study to examine the variables. The BRICS is a platform aiming for both political (short-term) as well as economic (long-term) alliances within a multilateral system, which makes it

suitable for explaining and observing this new dimension of economic regionalism. This novel outlook on regionalism has been adopted by various organizations such as the Trans-Pacific Partnership (TPP), Asia Pacific Economic Cooperation (APEC), and Regional Comprehensive Economic Partnership (RCEP). The current global setting validates that trade relations have an upper hand in maintaining convivial relations when compared to geographical and physical similarities.

Joseph Nye argued that integration could be studied in multi-dimensional terms. In general, regionalism could be defined as preferential cooperation among nations that are relocated in terms of geographical proximity, with certain common characteristics such as historical, cultural, political, and so forth. The objective of cooperation might be economic, political, or cultural in nature (Nye, 1968). In this context, the economic regionalism is considered more autonomous, outward-oriented, comprehensive and multi-dimensional process which included trade and economic integration, environment, social policy issues relating to security and democracy, where the nation-states and other actors played an important role. The economic regionalism firstly promoted the necessary structural and economic reforms at the national level, and secondly encouraged development at the multilateral level. The economic regionalism, especially bilateral (between only two

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nations) and bi-regional (between a Regional Trading Agreement (RTA) and another country or group of countries) agreements, did not tend to form trade blocks as they were usually trans-regional in nature and intended to diversify trade relations among the large number of countries (Baldwin, 1993; Lombaerde & Garay, 2006; Ranjan *et al.*, 2007; Lama, 2005; Spindler, 2002). According to Lombaerde and Langenhove (2005), regional integration is a worldwide phenomenon of territorial systems that increase the interactions between their components and create new forms of organization, co-existing with traditional forms of state-led organization at the national level.

The BRICS is such an organization that emerged into an important platform for cooperation among emerging markets and developing countries. BRICS countries come from Asia, Africa, East Europe, and Latin America and all are members of G20. Together they account for 26.46% of world land area, 42.5% of world population, 13.24% of World Bank voting power and 14.91% of IMF quota shares. According to IMF's estimates, BRICS countries generated 22.53% of world GDP in 2015 and have contributed to more than 50% of world economic growth during past 10 years.

The post-liberalized international system has adopted new dimensions of regionalism and the concept of 'trade creating geography or space' is becoming prominent. The concept of economic regionalism is a very important phenomenon in the contemporary global economic system (Cai, 2010). Economic interdependence and economic integration among nation-states are of significance since the post-Cold War era, from where the expansion of the concept of economic regionalism happened. The concept of economic regionalism focuses on an institutional arrangement designed to facilitate the free flow of goods and services and to coordinate foreign economic policies between countries.ⁱⁱⁱ It is also characterized by FDI flows, migration, trade relations and cross-border relations. Growing economic dependence among countries is another feature through which peace and prosperity are brought as they function based on mutual interests.

The expansion of trade liberalization influenced a new dimension of economic regionalism which supports the concept of regionalism without a common physical border in the post-Cold War era. Moreover, migration flows, FDI flows, cross-border trade and multinational companies have substantiated the new concept of

economic integration less importance to physical borders. Under the new dimension of economic regionalism, the intra-regional trade relations play a pivotal role to measure the level of economic integration or interdependence with each other. The BRICS is a fine example of explaining this new dimension of economic regionalism (regionalism lesser importance on physical borders) where BRICS's intra-regional trade relations become the binding factor towards its economic integration and independence. The existing literature is focused on the economic integration of the five emerging countries, for example, related to intra-BRICS trade (Chatterjee, Jena, & Singh, 2014; Sharma & Kallummal, 2012) and FDI policy (Mlachila & Takebe, 2011). Developed by (Balassa, 2013), the economic integration theory (EIT) assumes that increasing globalization and technological progress leads to freer trade and movement of economic factors as well as to deeper integration over time.^{iv} It shows that physical border is no longer a criterion for economic interdependence and integration within a group while the concerns and common interests form important factors for a new dimension of economic regionalism.

The concept of economic regionalism is defined as an empirically observable process of increasing cross-border activities, cooperation and coordination within a group of countries through integration. Originally, the concept of economic regionalism has been based on economic cooperation between natural partners (neighbouring countries or countries on the same continent). But since technological progress reduced transaction costs, intercontinental and global economic integration has become important in recent decades. Geographical distance may stay important for trade flows, but intercontinental relations of emerging countries record a steady rise in trade relations (Gil-Pareja *et al.*, 2012). Five countries show an increasing range of economic interdependence, e.g. the intercontinental BRICS trade increases by more than 1400 percent. It seems that the economic integration process and the development of national power go hand in hand in the case of BRICS. This empirical evidence rejects the old concept of economic regionalism based on geographical proximity of member countries. The five BRICS countries are located in different regions like Latin America, Africa, Asia, South Asia, and Eurasia. If geographical proximity were important, an increase in inter-continental BRICS trade by more than 1400

percent would not have been possible. It clearly supports the argument put forward by the study that trade creates geography which expands the concept of economic regionalism.

The planned FTA between the US and the EU (Transatlantic Trade and Investment Partnership agreement, TTIP)^v as well as the established FTA between Canada and the EU

(Comprehensive Economic and Trade Agreement, CETA)^{vi} show on the one hand the race for economically strategic partnerships worldwide but on the other hand, a closer cooperation between the Western economic powers. Consequently, TTIP and CETA are considered as a great incentive to form a BRICS-FTA or sub-BRICS FTAs (Krugman, 1991). The above argument put forward by Paul Krugman oversees the future initiative of BRICS FTAs to counter Western initiatives like the Transatlantic Trade and Investment Partnership Agreement and Comprehensive Economic and Trade Agreement.

In this context, geographical proximity and common physical borders are a source of conflict while considering the case of SAARC, ASEAN, GCC, and African Union. The recent Brexit issues also questioned the existence of the European Union by challenging its geographical accessibility with the hope that strong trade linkages reduce above issues and tensions. The BRICS is such type of group that supports trade relations with much more importance than geographical proximity. In this context Intra-regional trade plays a prominent role in linking the member states within BRICS. The liberalization of trade, the concept of a borderless world, trans-nationalism, globalization and internationalization are considered to be a good platform for the new dimension of regionalism (lesser importance to geographical proximity).

ORIGIN AND DEVELOPMENT OF REGIONALISM

The growth and study of formal regionalization dated principally from the Second World War, which resulted in a general pattern of growth in international institutions. This is important since a study of regionalism necessitates a parallel study of multilateralism or at least in understanding the interdependence relationship between the two states. From a larger perspective, however, regionalism has always been with us. The region as an empire, the spread of influence, or Union of states have been apparent in different international systems for a very long time. In

the 19th century, in particular, one can point to the idea of regional integration is not a new phenomenon (Mattli, 1992). While such unions flourished among European states, in America's inter American system, within its root in the late 19th century provides evidence of a set of semi-formal or non-European institutions. Embedded in this American system was the idea of regional security regime as expressed in the Monroe Doctrine, which signalled out America as part of a sphere of influence and Europe alongside the economic union and political outline, Security regimes were also evident as demonstrated by the existence of a 'concert' or balance of power which informed understanding of regional order.

Indeed, it was the breakdown of this loose regime –the European Concert–in the events culminating in the First World War that encouraged world leaders led by US President Woodrow Wilson. To make first sustained attempt at constructing a formal international security institution, the League of Nations with important implications for subsequent was formed.

The league experiment through intended to be universal betrayed a number of regional features not least that its dominant members were all European. A reference in the covenant in Article 21 to "regional understanding" was included to reflect the interest of US through the latter attempted to become 'a member' (Zimnert, 1945). More broadly, League period set the tone for much wider debate about how to deal with what Inis Claude would later call the "problem of regionalism" or how to integrate regional arrangements into the framework of general security organization (Clouds, 1946). This debate was overtaken though not forgotten by the events of the 1930's when Europe and much of the rest of the world became embroiled in new war. At this time, it appeared the League had failed as a global security institution and regionalism, whether as an economic or political process had also been associated with failure or with expansionist. Moreover, hegemonic projects like Japan's, Pan Asian project or Nazi Germany's Pan-European one emerged.

In the history of regionalism, there has been a new wave of economic regionalism in the world economy since the mid-1980. While political, economic and technological forces have been pushing globalization of national markets, these same forces were promoting growing regional economic integration (Cai, 2010). The current wave of economic regionalism started in Western

Europe and then spread to North America, Latin America, Asia, Africa, East Asia, and other areas. However, the movement toward regional integration differs greatly from one region to other. They range from the politically motivated and institutionalized movement toward regional integration in Western Europe to primarily market-driven and less institutionalized regional in other parts of the world (Cai, 2010). In this context, trade plays a prominent role to integrate nation-states into a group.

After Mid-1980's, however, a new wave of regionalism emerged and developed vigorously in the context of fundamentally transformed global geopolitics and economics as a result of the end of the Cold War, the relative decline of US hegemonic power, the emergence of new economic powers and globalization. Consequently, the global economic order has been transformed with realignment between multilateralism and regionalism in a new era of the globalized world economy and post hegemonic stability (Cai, 2010). In this context, multi-polar world system enlarged the influences on regionalism in all over the world.

The rise of regional economic integration since mid - 1980s is significantly influencing the nature and evolution of the world economy in the 21st century. Since the 1950s, scholars have developed a number of theories to explain economic regionalism. However, different approaches within the existing literature concentrate on different aspects of the subject: some primarily focus on the functionalist mechanism created on the basis of mutual interests of nations states, some others primarily look at the interactions of international politics and economics (Cai, 2010). While these theories provide many useful insights in one respect or the other of economic regionalism, they hardly address the following two key questions simultaneously in systematic fashion, the questions that are fundamental to study of economic regionalism: 1) why do nation states make efforts to go regional, 2) why does regionalism assume different forms in different region, Some of the existing theories on economic regionalism attempt to answer the first question, while others seek explanations for the second question. Moreover, most approaches in the existing literature are primarily designed to explore regionalism as exemplified in various organizational arrangements like trade blocs or preferential trade arrangements under the cognition that analysis of economic regionalism in its institutionalized form should be taken

for granted.

Economic regionalism can be viewed as a conscious attempt to manage the opportunities and constraint created by the dramatic increase in international economic ties since the end of World War II and the Cold War. It includes free trade, customs unions, common market and economic union. Post-Cold War onwards regional organizations are played a significant role in the international political economy, the success of organizations and agreements such as EU, NAFTA and ASEAN FTA (Free Trade Agreement) depended not only on geographic proximity but also increasing economic interdependence, relatively homogeneous political structure (Democracy) and shared cultural and political traditions. The ideas on shared democracy lead to political interdependence, and trade relations leads to the economic interdependence of a regional organization.

THEORETICAL FRAMEWORK ON ECONOMIC REGIONALISM

There are several theories substantiated the concept of economic regionalism like as regional integration theory, customs union theories are important theories which elaborated the concept of economic regionalism. They are; **Regional Integration theory:** Any attempt to explain economic regionalism in theoretic terms during the post-war era starts with the emergence of regional integration in Western Europe. Regional integration theory includes functionalism and its modified version, neo-functionalism. David Mitrany first developed the logic of functionalism. Functionalism attempts to explore regional organizations to deal with common and social problems (Cai, 2010). The regional integration theory explored the relevance of the institutional mechanism under the regional organization.

Neo-functionalism modifies functionalism in several important aspects. The primary modification is that makes essentially a theory of supranational state – building and not just an approach to the management of international interdependence through a “working peace system” (Pentland, 1990). Political interdependence made through shared democracy which makes substantiated effective peace full mechanism under the regional group. In this context, BRICS countries are trying to build up within the concept of shared democracy by modifying the group’s institutional mechanism. Shared democratic decisions are more visible in the form of mutual interests and concerns of

BRICS member states, which are enhanced to make a strong institutional mechanism.

Theories of regional integration are becoming obsolescent because of three core assumptions on which these theories have been based and giving lesser relevance to the behaviour patterns actually displayed by governments active in regional organizations (Haas, 1975). These three assumptions are 1) that a definable institutional pattern must mark the outcome of the process of integration, (2) that conflicts of interests involving trade-offs between ties with regional partners and ties with non-members should be resolved in favor of regional partners, and (3) that decisions be made on the basis of disjointed instrumentalism. The above three assumptions are helpful in building common interests among the member states of the regional organization which may lead to solidarity and cooperation. The history of the European Communities since 1968 shows that most governments no longer behave in accordance with these assumptions, although they did earlier. The explanation for the new trend is to be found in awareness of the various novel kinds and dimensions of interdependence between countries, issues, and objectives, particularly with reference to policies involving those aspects of highly industrial societies which do not respond readily to the incentives of a customs union. A new decision-making rationality-labelled "fragmented issue linkage"-seems to be competing with incremental habits, suggesting that efforts are being made to cope with "turbulence" in the industrial environment so as to avoid piecemeal solutions. The effort to cope with turbulence, in turn, is unlikely to lead to any 'final' set of regional institutions (Haas, 1976). The gap between national interest and regional interest creates the effectiveness of regionalism in a group. Sometimes the national interests and regional interests are in conflict with each other, resulting in a difficult condition to form common interests in a group.

Regionalism emphasizes the dynamics of integration and identifies the role of supranational, transnational and sub-national actors in this regional integration process. From an institutional perspective the European Economic Community (EEC) may be integrated both as an institution that has been established by member states within horizontally organized international system to facilitate and stabilize cooperation, and as a polity within which intra-institutional decision process

take place that allow the participation of non-state actors and, to some degree, even hierarchical governance (Gehring, 1996). The divisions of powers are an influential factor of a regional group to reduce tensions and conflict between member states. New functionalism promotes division of powers through shared democracy in a regional group which may provide strong adherence to the concept of regionalism. There can be no doubt that functionalism 'and its later refinement, i.e. early neo-functionalism (Haas, 1975; Lindberg, 1963; Lindberg & Scheingold, 1970), set out to occupy this middle ground. They rejected both the power orientation of realism (Haas, 1964) and the 'ground designs' of legalism and traditional institutionalism. Instead, they advocated a strategy of institutionally supported instrumentalism. They drew attention to the distribution between power issues (high politics) and welfare issues (low politics) and argued that the latter, in contrast to former has the potential for the collective pursuit to common regional interest (Gehring, 1996). In this context, neo-functionalism promoted common interests of the nation states rather than national interests of the particular state. It emphasized common interests as a particular factor which makes a group of nation states into a regional group.

Over the time, a process in low politics would produce fundamental political consequences, if peace could build on its basis, it would be 'working peace system' not peace that would bring the nations quietly apart, but a peace that bring them actively together (Mitrany, 1966). It is stressing on the relevance of shared democracy in a regional group which make peace and prosperity.

Regional organizations should be established and invested with competencies to execute common interest. Therefore, institutions should be shaped according to the functions which they were actually intended to perform for (and that is, in the interest of) the actors concerned, i.e., 'form should follow function' (Mitrany, 1966). Under these conditions, regional organizations were indispensable instruments to instigate and support the process of integration and could operate without a concentration of sanctioning power.

Functionalist and neo-functionalist theories focus on the progressive development of regional integration. For Ernst Has, political integration was immediately linked to the emergence of new political community superimposed over the pre-existing ones and based on

the anticipated shift of the loyalty of elites from the national to the supranational settings. The supranational concept of regionalism has expanded through Haasian model of regional integration which makes a turning point of neo-functional literature in political economy. The BRICS is enhancing its identity in a multilateral system through mass investments in underdeveloped countries.

Regional integration as a specific field of academic observation and theorizing lost its relevance during the early part of the 1970's and was eventually declared obsolete because the hope for rapid emergence of Haasian 'political community' that had vanished upon the actual events, were two developments had blurred the theoretical distinction vis-a-vis the study of international relations. In this context, regional integration is the combination of the original cooperation centered mainstream approach with an institutionally oriented concept of international governance of governing institution. The Haasian concept of supranational body expanded all over the world in the Cold War period through European integration.

The conceptual separation and functional re-integration of interest based cooperation and institutions established to organize cooperation draw attention to reflexive (feedback) mechanisms by which regime may affect their own future development. In this regard, the present approach re-introduces a central functional and neo-functional idea into the analysis of institutional institution. Empirically from the high dynamic field international environmental relations emphasize the relevance of feedback mechanisms for development cooperation over time (Haas, 1990; Mitchell, 1994; Oberthür, 1995). Obviously, institutional development and feedback effects also matter in the case of European integration. The influence of the expansion of neo-functional ideology, lead to an expansion of transnational's activities all over the world. In this context, trade played a pivotal role to integrated nation states economically and politically, which enhanced cross-border flow of goods and services leading to the economic interdependence of nation-states, which overwhelmingly influenced the expansion of transnational activities all over the world.

Neo-functionalists have been particularly prominent, largely because of the favourable reception accorded to Haas's *The Uniting of Europe*, for some time Europe

remained the focal point for most of the works on regional integration. In the past several years the application of integration theory to Latin America, Asia, and Africa has become increasingly fashionable (Hansen, 1969).

Customs Union Theory: Jacob Viner was the eminent economist supporter of economic regionalism and regional trade arrangements (intra-regional trade) during the post-war period. Jacob Viner pointed out that regional trade arrangements can lead to trade creation, if due to the formation of regional agreements; regional trade arrangement members switch from inefficient domestic producers and import more from other members of the regional trade agreement. On the other hand, trade diversion takes place if, because of the regional trade agreement, members switch imports from low-cost production in the rest of the world and import more from higher-cost producers in the partner countries. Trade diversion lowers welfare not only the partner countries but also the rest of the world too. Viner's analysis shows that trade creation and trade diversion have opposite welfare implications and the net effect will happen on which of these two effects dominate (Viner, 1937).

His famous book "The Customs Union Issues" published in 1950 is the one undeniable classic in its field. Among contemporary international economist, the work becomes a classic marking off and justifying a field of enquiry. The writings of the classical economist on preferential trading arrangements are the first important influence on Viner's work.

Jacob Viner took a broad view of a regional customs union, and his analysis is relevant to most regional preferential trade arrangements. "One of the numbers of arrangements for reducing tariff barriers between political units while maintaining barriers against imports, from outside the regions" while a 'perfect customs union' defined as an arrangement, which meets the following condition.

Customs union is more likely to operate in the regional free trade direction, whether the assessment is in terms of its consequences for customs union area alone or for the world as a whole. With polarization of Regional Trade Arrangements, the question arises as to how such arrangements benefit world trade, contribute economic development, enhance the welfare of regions (countries) and increase overall global welfare. The answer depends on the difference between trade creation and trade diversion effects of regional economic integration.

Regional Trade Arrangements have been the subject of considerable economic analysis. Regionalism had its beginnings with the seminal contributions to the subject of a customs union by Viner (1950) and Meade (1955) who states economic costs and benefits of the customs union to its members and to the rest of the world.

The Viner's theory was later modified and broadened by (Geherls, 1956; Lipsey, 1957; Collier; 1979), who introduced into their model's other welfare effects, such as consumption effects and terms of trade effects, in addition to the production effects. Lipsey's 1960 survey article was an important summary of the developments of customs union theory in the 1950's, though research on the welfare effects of changing trade flows continued thereafter. Trade, production, and welfare are correlated with each other in regional integration.

After Lipsey's 1960 paper, economists shifted their research emphasis from the economic effects of customs unions to the question of why customs union formed in the first instance. Such a change, according to Melvyn Krauss, "reflects both theoretical and institutional imperative: the former being response to the failure of traditional international trade theory to explain why policies other than the free trade or modified free trade followed by governments; the latter, to recent interest in economic integration on the part of the world's developing countries as a means for accelerating their rate of economic progress" (Lipsey, 1960). The issue was tackled by (Cooper and Massell, 1965; Jhonson, 1965; Krauss; 1972; Floystad, 1975; Dauphin, 1978; Berglas, 1979) and others, who attempt to search for both economic and non-economic rationales for forming a customs union. The above studies are the evidence of broadened the regional integration in the sense of economics which expanded all over the world. This theoretical literature gave strong bases of regional integration through intra-regional trade and promoted the expansion of economic regionalism all over the world.

Jacob Viner concludes the discussion of economies by emphasizing that "customs unions are from a regional free trade point of view, not necessarily good nor necessarily bad; the circumstances discussed above are the determining factors". In this context, free flow of goods and services helped in reduce the tension between nation states in a group. So that customs unions have great advantages out of each national economy in the group and protects domestic industries from external

threats. The BRICS trade union protects its domestic industries from external threats (not put forward external tariff mechanism) and advantages on trade creation through intra-regional trade.

Jacob Viner argued historically that most customs unions that had actually been formed were driven by political rather than economic considerations that political union always preceded economic union, and that is for good reasons (such as the absence of workable redistributive mechanism). Moreover most economically beneficial customs unions are the hardest to form, a point rediscovered by Grossman and Helpman (1995) on the contemporary political economy of trade literature. Jacob Viner mentioned trade diversion from multi-level to the regional level. Freund and Ornelas (2010) identify Viner as the originator of the distinction between trade diversion and trade creation and this distinction gives their survey shape, as they assess whether recent empirical and political economy studies indicate trade diversion or creation predominance. The picture that emerges from the contemporary surveys of Viner as lauded but unread is reinforced by a scan of the contemporary journal literature on preferential trading arrangements.

Viner pointed out that regional trade arrangements can lead to trade creation (through intra-regional trade) if due to the formation of regional agreements, regional trade arrangements members' switch from inefficient domestic producers and import more from other members of regional trade arrangement. On the other hand, trade diversion takes place if the Regional Trade Arrangement members switch imports from low-cost production in the rest of the world and import more from higher cost producers from the partner countries. Trade diversion lowers welfare not only of the partner countries but also for the rest of the world. Viner's analysis shows that trade creation and trade diversion have opposite welfare implications and the net effect will happen on which of these two effects dominate.

According to Qureshi (1996), and Krugman (1978, and 1986) the integration of regional economies is seen as a first step in creating a larger regional market for trade and investment which stimulates greater efficiency, productivity gains and competitiveness. Not just by lowering border barriers but they are reducing other costs and risk of trade and investment. Regional Trade Arrangement (RTA) provides development tool if it encourages a shift towards greater market openness

geared towards global integration. A strong theoretical foundation to the admissibility of RTAs has been analyzed by among others Viner (1950), Meade (1955), Lipsey (1957) and Vanek (1965) who have all indicated that as long as RTAs do not lead to the diversion of trade, they are permissible since they could not pose a stumbling block to the attainment of global free trade (as espoused by the WTO).

Regional integration tends to increase trade and FDI. This will result in creating a positive impact on growth in its members through increased trade and investment facilitating economic growth (Willem & Velde, 2011).

ANALYTICAL FRAMEWORK OF ECONOMIC REGIONALISM

The two fundamental questions on economic regionalism are; firstly, why nation-states move toward regionalism, and secondly, why does regionalism take different forms in different areas. To help address these questions (Cai, 2010), an analytical framework is designed in this section, which will enable us to pursue multilevel (from the global structural level to regional and national levels) analysis of the subject. In this context, regional and national factor are different from regions to regions for the forming of a regional group. This should influence the expansion of economic regionalism all over the world. The analytical framework of economic regionalism is built on a set of assumptions with respect to global or structural, regional and national factors as follows (Cai, 2010);

Assumption 1: The emergence of economic regionalism is in the first place generated by external and internal imperatives as perceived by national decision –makers, elites and interest groups. This clearly says that the national interests of the member states become common interests of a group. In this context, national interests are transformed to the common interests of a group. These transformations from national interest to common interest have influenced the expansion of economic regionalism all over the world.

Assumption 2: The subsequent development of economic regionalism with respect to speed, level and form depends on specific conditions existing at the regional and national levels in the region. The speed and level of integration are decided by member states through the degree of their economic interdependence with each other. In this context density or level of integration is decided by intra-regional trade. The BRICS intra-regional trade influences the degree of economic

independence within the group.

Assumption 3: Usually there are chain reaction effects, that is, regionalism in one region may lead to regionalism elsewhere as a general or defensive reaction, strengthening this trend further. The transformation of regionalism in one region leading to regionalism elsewhere is considered a a global phenomenon.

Assumption 4: Economic regionalism often evolves gradually, step by step, from a low level of regional arrangements to higher levels, and influences more and more economies around (Bunge, 1996). The regional integration process is a step by step process starting with preferential trade arrangements, free trade arrangements, customs union arrangements, common market and finally reaching an economic or currency union. These levels of arrangements are great influences on the degree on which the nation states are interdependent with each other, finally creating a political union of the regional group. The BRICS regional integration process has been made step by step, starting from bilateral trade arrangements, Export promotion arrangement, and Swap currency arrangements (CRA), Trade union arrangement, and FDI arrangement.

The first assumption explains the emergence and development of all major regional groups, such as the EU, NAFTA, and APEC, for they have all been related to transforming international and domestic environment resulted from political, economic and technological changes at both global and national levels. The second assumption explains why there is a difference across the world in terms of forms of regionalism, as regional and domestic conditions in different regions vary. Then the third assumption explains why moves toward regionalism occur one after another –the European integration was followed by NAFTA, which then stimulates the regionalist tendency in Latin America, East Asia and other areas, regardless of their forms. With assumption four, the economic regionalism in BRICS can be seen as still being at an early stage and its future development will be determined by a set of factors at global, regional and national levels as identified in assumptions 1-3. Implied in all these assumptions are rational and deliberate calculations by national decision makers, elites and interest groups of the benefits and costs of specific moves toward a specific form of regionalism under specific external and internal condition.

Globalization implies a tendency towards building a global social system with its origins traced far back in history, but one could also argue that the process reached a new stage in the post-Second World War era. The subjective sense of geographical distance has dramatically changed and some even speak of 'the end of geography'.

The open regionalism^{vii} could form the basis for an improved multilateral system. Open regionalism and multi-polarity are, in fact, two sides of the same coin. The decline of US hegemony and break down of Communist subsystem created a room for manoeuvre in which open regionalism developed. Open regionalism was often described as "open" and thus compatible with the interdependence of world economy. However, the idea of a certain degree of preferential treatment of countries within the region is implied in the idea of open regionalism or the new trend of regionalism in the international political economy. Joseph Nye defined an international region "as a limited number of states linked by a geographical relationship and by a degree of mutual interdependence", and (international) regionalism as "the formation of interstate associations or groupings on the basis of regions." This definition, however, was never unanimously accepted, and some analysts noted, for example, that the surplus of regional organizations founded at the initiative of developing countries had not fostered the rapid growth of regionalism in the Third World. Other authors, such as Ernst B. Haas, stressed the need to distinguish the notions of regional cooperation, regional system, regional organization and regional integration and regionalism.

Moreover, this new regionalism is a more comprehensive, multidimensional process and includes not only trade and economic development but also the environment, social policy and security, just to mention some imperatives pushing countries and communities towards cooperation within new types of regionalist frameworks. In other words, the trend of regionalism includes economic, political, social and cultural aspects, and goes far beyond free trade. Rather, the political ambition of regional coherence and regional identities seems to be of primary importance. The new trend of regionalism is linked to globalization and therefore cannot be understood merely from the point of view of the region. Rather it should be defined as a world order concept, since any particular process of regionalism in

any of the world has systemic repercussions on other groups, thus shaping the way in which the new world order is being organized and how the global power structure will change.

The new trend of regionalism offers a collective bargaining for the group which will help to improve the economic position of marginalized countries in the world system or protect the structural position and market access of emerging export countries.

Regionalism not only covers economic dimension but also focus on other cooperative patterns like political interdependence through shared democracy, MNC cooperation, diplomatic relationships of nation-states, and migration flows among the nation states in a group. Under the old (closed) regional concept countries got engaged under one RTA.

Analytical Framework of Economic Regionalism: The two fundamental questions on economic regionalism are; firstly, why nation-states move toward regionalism, and secondly, why does regionalism take different forms in different areas. To help address these questions (Cai, 2010), an analytical framework is designed in this section, which will enable us to pursue multilevel (from the global structural level to regional and national levels) analysis of the subject. In this context, regional and national factor are different from regions to regions for the forming of a regional group. This should influence the expansion of economic regionalism all over the world. The analytical framework of economic regionalism is built on a set of assumptions with respect to global or structural, regional and national factors as follows (Thakur & Chandramohan, 2012);

Assumption 1: The emergence of economic regionalism is in the first place generated by external and internal imperatives as perceived by national decision-makers, elites and interest groups. This clearly says that the national interests of the member states become common interests of a group. In this context, national interests are transformed to the common interests of a group. These transformations from national interest to common interest have influenced the expansion of economic regionalism all over the world.

Assumption 2: The subsequent development of economic regionalism with respect to speed, level and form depends on specific conditions existing at the regional and national levels in the region. The speed and level of integration are decided by member states through the degree of their economic interdependence

with each other. In this context density or level of integration is decided by intra-regional trade. The BRICS intra-regional trade influences the degree of economic independence within the group.

Assumption 3: Usually there are chain reaction effects, that is, regionalism in one region may lead to regionalism elsewhere as a general or defensive reaction, strengthening this trend further. The transformation of regionalism in one region leading to regionalism elsewhere is considered as a global phenomenon.

Assumption 4: Economic regionalism often evolves gradually, step by step, from a low level of regional arrangements to higher levels, and influences more and more economies around (Bunge, 1996). The regional integration process is a step by step process starting with preferential trade arrangements, free trade arrangements, customs union arrangements, common market and finally reaching an economic or currency union. These levels of arrangements are great influences on the degree on which the nation states are interdependent with each other, finally creating a political union of the regional group. The BRICS regional integration process has been made step by step, starting from bilateral trade arrangements, Export promotion arrangement, and Swap currency arrangements (CRA), Trade union arrangement, and FDI arrangement.

The first assumption explains the emergence and development of all major regional groups, such as the EU, NAFTA, and APEC, for they have all been related to transforming international and domestic environment resulted from political, economic and technological changes at both global and national levels. The second assumption explains why there is a difference across the world in terms of forms of regionalism, as regional and domestic conditions in different regions vary. Then the third assumption explains why moves toward regionalism occur one after another –the European integration was followed by NAFTA, which then stimulates the regionalist tendency in Latin America, East Asia and other areas, regardless of their forms. With assumption four, the economic regionalism in BRICS can be seen as still being at an early stage and its future development will be determined by a set of factors at global, regional and national levels as identified in assumptions 1-3. Implied in all these assumptions are rational and deliberate calculations by national decision makers, elites and interest groups of the benefits and

costs of specific moves toward a specific form of regionalism under specific external and internal condition (Cai, 2010).

BRICS and Open Regionalism

- Close economic integration combined with political integration. Within the context of BRICS, there two axes working for both economic and political integration, i.e. RIC axis focused on economic integration through trade, FDI and people to people contacts and IBSA axis focused on political integration through shared democracy, human rights, and respects on national sovereignty among this group.
- Coexistence of various forms of regions and regionalism (Tylec, 2017).
- Agreements are frequently concluded by countries or groups of countries which are not located in the same geographical region (cross-regional agreements) example BRICS. The member states of BRICS are located in different parts of the world such as like Latin America, Africa, Asia, Eurasia, and South Asia. This geographical distance is a beneficial factor of BRICS which enhances its identity in the global level.
- A considerably greater contribution made by developing countries. It results in developing a more universal market economic model which facilitates the process of concluding mutual trade agreements. From post-financial crisis onwards, BRICS countries are giving greater contributions in a multilateral system which promote universal market model through both inter and intra-regional trade arrangements.
- The 'Spoke' function is also performed by diverging countries.
- An increasing tendency among major developing countries (China and India) to adopt a two-stage liberalization process in their reason with other developing countries. The first stage is marked by partial scope agreements leading to the reduction or elimination of customs duties on a limited number of products (the list of these products is referred to as an early harvest programme). It is an introduction to the second stage of negotiations aimed to establish a free trade zone (Tylec, 2017).
- Agreements under the new (open) regionalism are open to accession or association with new states and

one country can be a member of more than one regional agreement where such a system is referred to as multiple regionalism or multi-regionalism. The BRICS member states have agreements with another regional group such as like MERCOSUR, EU, AU and Eurasian Union.

- An increasing tendency to consolidate existing groups of countries.
- The existence of two levels of discrimination as a result of the 'hub and spoke' model: spoke –world and hub-spoke relations.
- The significance of direct investment characterized by a greater scope of multi-laterality. The BRICS countries gave much importance to FDI flows within the group and outside the group. This will ultimately influence investment creation effect on the global economy. This FDI flows from BRICS to several other underdeveloped countries in the different parts of the world such as like Africa, Latin America, Asia, and the Middle East.
- In the majority of cases, one small country (or more countries) has its transactions limited to a large economy as small economies frequently carry out reforms (or have just completed this process).
- A tendency to create a global trade system in connection with an increasing intensity of the trans-regional and interregional process. The BRICS countries enhance trans-regional activities through trade, FDI, and Migration. The MNC's from BRICS countries plays a significant role which enhances trans-regional and interregional activities in the global economy.
- The levels and modes of regional cooperation and integration are complex and co-existent (initiated by states and markets, and sub-regional, and trans-regional in character) (Tylec, 2017).
- An increasing tendency to transfer authority from national to local levels in a group of integrated countries. The BRICS institution will attain considerable legitimacy through equal consideration of the member states. This is reflected in the New Development Bank with regard of the division of powers within the member states.
- A strong emphasis on the social structure of regions. The BRICS social structure will enhance with the combined support of democratic and social interests

of member states.

- Focus on increasing the global completeness of the entire region and its particular entities.
- The reduced significance of transnational integration in favour of less formal regional relations (Tylec, 2017).
- Strong link with the globalization process – dependence of economies on export activities, a significant role played by transnational cooperation, and a greater share of inter-industry trade (especially in developed economies).

In shortly, post –Cold War onwards open regionalism has been more prominent regarding enhancement of economic interdependence among the states. In this context, trade creates favourable space for interdependence among nation states. Regionalism with economic engagement personifies the increasing attention of economic regionalism which is upheld through intra-regional trade arrangement (trade within the specified space).

Open regionalism is created mainly out from discriminatory treatment of FTA and preferential trade arrangements. The APEC and BRICS are trying to modify the existing concept of levels of regional integration instead of forming FTA, PTA, customs union, economic union, and common market to FDI cooperation, Development Bank, Currency Swap arrangements, Export credit arrangements, and Trade union. These pathways enhance the importance of regionalism at a larger level and do not support any discriminatory treatment. The existing levels of regional integrations are highly discriminatory in nature on the basis of treatment non-members states. They sophisticated trade protectionism in international trade, but this new type of regional integration is more open and included non-members states in international trade. New types of regional integrations (FDI cooperation, Development Bank, Currency Swap Arrangements, Export Credit Arrangements, and Trade Union) are highly visible BRICS which is more inclusive with regard to non-members participation. In the context of BRICS integration, New Development Bank plays a pivotal role in infrastructure development which facilitates bilateral trade arrangement not only for the BRICS group but also non –member states. The BRICS Development Bank will be a main trade facilitation factor for trade arrangements. The Contingent Reserve Arrangement is

another important integrating factor among the BRICS, which creates an economic union through currency swap arrangements in trade relations. The BRICS attempts on currency swap arrangement will have its influence over another region too by instigating the tendency to bypass dollar in trade transactions. Another important integration factor is intra-regional trade relations which ultimately integrated these nation's states into a group to form common interests and concerns. The next major integration factor is trade union as it plays the role of a customs union which enhances the participation of non-members states in inter-regional trade within the BRICS. The export credit arrangements will be less discriminatory nature for those who are facing balance of payment problems with

BRICS countries with regard to trade relations. During recent years, there has been a proliferation of special trade deals among nations granting trade preferences in the form of reduced or eliminated tariffs, duties, or quotas. There are currently hundreds of regional trade agreements in force or under negotiation around the globe. The figure given below indicates that of roughly 200 most significant regional trade agreements with three quarters involving merchandise trade and the rest relate to trade in services. Less than one-quarter of the agreements is among developed nations only while more than a third of them involves only developing nations and the remainder having memberships with both developed and developing countries (Joseph and Van Hoose,2011,25-30).

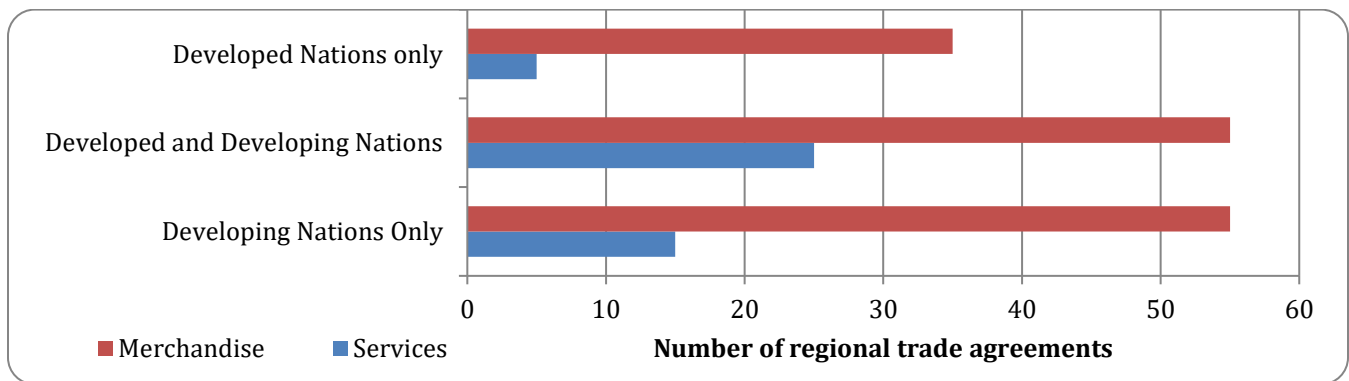


Figure 1: Regional Trade Blocks.

Source: Figure is made by the author.

Paul Krugman supports the view that regionalism is an un-easier alternative to multilateralism in international trade. However, Jagadish Bhagawathi cautioned rapid spread of regional trade arrangements that would unduly endanger the world trading system. Developing countries are the victim of strict Trade Related Intellectual Property Rights (TRIPS), environmental and labour clauses and restrictive Bilateral Investment Treaties (BITs) of WTO that friction their industrialization process. The trade experience of East and South Asian countries show that regional trade is more important for economic growth of export-dependent economies than global trade. The relationship between globalization and regionalization has been extensively studied and debated by mainstream economists. The basic question underlying this research and current debates stated well by Bhagwathi (1991, 1992), when he asked whether the preferential free trade areas and customs unions

belonged to the “second regionalism” of the 1980’s building blocks or stumbling blocks for multilateral order. In his view, due to the dominating effects of trade diversion, regionalism became a stumbling block, slowing down progress toward multilateralism. In contrast to the advocates of regionalism, Bhagawati and others (Krueger, 1999; Pangariya, 1999) do not seem to believe that globalization as such elicits regional responses; they start from a regional perspective and explore its effects on the global trading system. Moreover, effective regionalism is a policy pursued by strong powers, but the weak ones are sidelined in all ways in the global trading system (Pekagids & Parthipan, 2002). A review of this literature (Frankel 1997) concludes that “there no shortage of models and arguments in which regional trading arrangements can undermine multilateral liberalization.” The expectation of trade diversion at the expense of trade creation thus gains for special interests increases the likelihood of

concluding a preferential trading agreement (Grossmann, and Helpman, 1995). Some regional trade arrangements are more open than others and trends among industries and regions vary. And, in some cases, trade within regions has expanded more quickly than between them. But there is little too evidence that the world economy is devolving in exclusive regional blocks and, even less into permanent trade wars, to the contrary both intro and inter-regional trade seems to be expanding simultaneously without undermining each other (Milner, 1994; O' Loughlin & Anselin, 1996; Frankel & Wei, 1991).

One of the few expectations is Robert Lawrence (1996) who argues that economic globalization does, in fact, demand deeper regional integration. The expectation of FDI and intra-regional trade are led to regional production and service clusters intended to improve efficiency and reduce transaction costs. Due to the globalization of FDI regional integration has become progressively deeper and moved beyond preferential trading arrangements.

Regional trade arrangements provide opportunities to reconstitute the bargaining process to the acceptable level, while the ability to arrive at a cooperative solution is completely lacking at the multilateral level. One of the important reasons for regionalism is that regional trade agreement links the economies of member countries to become more independently that reduce the likelihood of conflict among them.

The BRICS plays a pivotal role in the WTO trade negotiations; all these countries show a rapid increase in economic growth and global trade. The trade and investment profile of them grew substantially between 1993 and 2007. They also exhibit a growing role as the important host countries of FDI. All these economic characteristics of BRICS gave strength in dealing with issues in WTO. Brazil and India assumed key roles in the Doha round. Brazil organized a G20 group of developing countries to coordinate position on Doha's agricultural negotiations in WTO's ministerial in Cancun. India also co-chaired a similar work on trade in services. In 2008, China agreed to participate in Doha steering group, but China aligned with India in opposing farm reforms to detriment of Brazil and other developing nations.

The RTA's have grown rapidly under the WTO regime and it reduced to 300 in 2012. The reason for the immense growth is that RTA's are considered as a catalyst for the economic growth of far-reaching

economies. Among the regional trade agreements, bilateral agreements account for more than 75%. In fact, all the member countries of WTO are involved in regional trade arrangement activities in one form or another. The major economist argues in both ways, as regional trade arrangements are good or bad for the world trading system. J.M Keynes and Cordell Hull argued in favour of regional trade activities; Jacob Viner (1950) preferred trade liberalization to trade diversion. The expansion of regionalism also requires the features of systemic delivery of goods, relative comparative advantage, dismantling of the trade-distorting tariff as well as non-tariff barriers, the geographical advantage of location and complementarities and competitively. The functioning of a regional trade arrangement should be similar to a forceful wave that could lift all the nations with perfect synchronism.

REGIONAL CONTEXT: CHANNELS OF INTER-LINKAGES

Trade and development are interred linked with each other. While trade can initiate achieving developmental objectives through scale expansion, productivity gains, employment generation and consequent poverty reduction, the development process itself enhances trade capabilities and hence can help augment trade flows. This needs to be understood in a regional context by taking into account the specificities that are presented in a regional trade and economic cooperation agreement. In what follows, the economics of trade-FDI-poverty reductions are captured in a partial equilibrium framework in a time neutral setting (Volz, 2011). So that trade, FDI, and migration flows are considered as strong pillars of regional integration with regard to the concept of economic regionalism.

Regional integration through trade and FDI can help to achieve economic growth outcomes in a regional grouping. Growth outcomes, in turn, can yield growth convergence among the members the members of a regional grouping. Subsequently, growth and growth convergence outcomes could lead to poverty reduction through employment effects, especially in labor-abundant developing countries regional groupings.

The complexity inherent in the economies of regional trade and FDI integration are captured as (Volz, 2011):

$$RT = \alpha + \beta_1 (MA) + \beta_2 (TC) + \beta_3 (I) + \beta_5 (K) + \beta_6 (ROO) - \mu S$$

Where RT stands for regional trade; MA for market access; TC for transaction cost; I for investment; K for knowledge and technology; and S for trade barriers

include both tariff and non-tariff barriers; and ROO for rules of origin.

Some of the determinants of the regional trade like MA, T and I need some elaboration. Market access is a function of trade barriers and possibilities of scale expansion(S). Trade barriers include both tariff and non-tariff barriers. Investment is a sum of domestic investment, intra-regional FDI from extra-regional sources. It is worth mentioning that it is possible to explain (as done more elaborately subsequently) an increase in these different types of investment due to trade integration in a free trade agreement (FTA) or regional trade agreement (RTA). For instance, due to enhanced market access in an FTA, export-oriented domestic investment increases to take advantage of the additional market access in the partner country. Similarly, intra-regional FDI increases in order to exploit the economies of scale, scope and specialization in an RTA or a bilateral FTA. In the context of BRICS, strong market access is having positively influenced its regional trade. Their transaction costs are very nominal through their higher levels of infrastructural development through their air transportation. Investments from the rich inflow of FDI among the member states, and knowledge and technological exchange between member countries are in a high level for the influences of agreement on technological innovation and skills. These factors have influenced their regional trade arrangements which promoted regional integration within the group. Also, we can observe that the BRICS's intra-regional trade volume is growing year by year.

One of the arguments against regional groupings since the work of Viner (1950) and subsequently Meade (1955) and Lipsey (1970) has been that they may not necessarily bring about welfare gains, especially in the short run, due to their trade diverting effects. Trade diversion occurs when the participating countries in a regional grouping are not low-cost producers. In this sense, the grouping may be efficiency - reducing arrangement. Due to regional trade liberalization, the member of countries acquires an advantage over extra-regional countries in terms of lower product prices resulting from the reduction in trade barriers. A member country thus switches its imports from the more efficient rest of the world producers to the lesser efficient and higher cost partner member country. This results in resource misallocation and amounts to trade diversion (Das, 2009).

The theory of regional economic integration has passed through two different periods in history (Krauss, 1972). The first period put emphasis on the impact of customs union formation on production (Viner, 1950) Consumption (Meade, 1955; Lipsey, 1957) and trade flows. In the period from 1960 onwards economist began to question what the real objectives were of those entering integration schemes sometime earlier, with the development of second-best theory, economist had reached the conclusion that regional economic integration would not lead to maximum gains in comparison to the global integration, which would result from multilateral tariffs reduction. Work by Johnson (1955), Cooper and Massell (1965), and later Berglas (1979) were the most significant in this respect. In fact, until the mid-1970's, theoreticians were fairly sceptical about the economic value of customs union and other regional integration arrangements as they considered the second best in comparison with the multilateral trade liberalization advanced by GATT, which has been subsumed into the WTO. With the development of the theory of intra-industry trade in the mid-1970's, new light shed on the usefulness of regional trade liberalization.

Baldwin (1995) applied the trade creation and diversion analysis to justify the expansion of the European Union (from 1994) to accommodate the former Communist bloc members from Eastern Europe (Baldwin, 1997). These works were considered that one of the pioneering work from existing literature of economic regionalism.

Multilateralism has emerged as a key value in the ongoing BRICS summit. At least, in terms of diplomatic rhetoric various statements, including by Russia's President, Vladimir Putin, "BRICS seems to be one antidote in international politics to unilateral approaches, whether intended for stimulating global growth or conflict resolution." On par with this, the general gist of BRICS is directed at stressing the centrality of the UN as a governing body and of international law as a frame of reference for all in the global arena. Where BRICS leaders are concerned, their club is aimed at deepening consensus-building and a multi-polar world. Plus, BRICS is additionally emerging as a forum for communicating with the G 20 club.

Likewise, institution-building and networking is transpiring as a powerful message and undertaking by the current BRICS summit. This goes in tandem with the specific and short-term objectives around which the five

emerging economies' developmental agenda is constructed. This is part and parcel of methodical reticulation and practicality desired by the five nations. This goes hand in hand with BRICS's overall goal of deepening their strategic partnerships among in a plethora of developmental areas. Already there are numerous mechanisms in place facilitated by inter-agency work such as in security and law enforcement areas, humanitarian and economic fields. Integral to this strategy is the focus on the New Development Bank (NDB) and a contingent reserve arrangement together adding up to \$ 200 billion. The NDB as an institutional building-block is thus envisioned to help direct the course of quasi-economic integration.

The NDB has already started funding projects in BRICS member countries, with renewable energy being a prime area earmarked for development. Russia will be playing a major role as a source of small hydropower plants such as in India.

Similarly, through the BRICS club, India is seeking endorsement by China and Russia for membership of the Nuclear Suppliers Group, which groups together more than 40 countries which are leaders in civil nuclear technology.

Finally, BRICS harbours a peace-making agenda, with the fight against terrorism topping the hot items of interest to countries such as India and Russia. Both along with the other member states have been canvassing ways of how to improve cooperation in the fight against terrorism. This peace-making agenda extends to policing especially in areas related to curbing drug-trafficking, human trafficking and drugs. For BRICS this constitutes an agenda that is harmonious with the international collective effort at realising security for all.

In shortly the practices on the regional integration process which would be for the BRICS members to simply continue reducing their barriers on a global basis while pursuing their regional goals. This could be done by continuing the past practices of unilateral liberalization and multilateral negotiations in the WTO. Both approaches avoid creating new discrimination so could be viewed as faithful renditions of regional integration. As noted earlier, all regional arrangements have in fact participated in the series of post-war GATT negotiations so have de facto adopted this approach. Article 24 of the GATT requires only that qualified regional arrangements not increase their barriers to non-members. Hence a pledge to reduce those barriers

would clearly go beyond the minimum.

The impact of faithfully implementing such a pledge cannot be determined a priority. On the one hand, it could represent a weaker definition of regionalism process than the other options because intra-BRICS liberalization could proceed more quickly than multilateral liberalization and, on balance, generate new trade diversion away from outsiders. This option could indeed be deployed to achieve the broadest possible definition of "open regionalism"-simultaneous achievement of free trade in the region and the world. The outcome would again turn on the policy decisions of the key countries.

To conclude that, it is observable the new dimension of the economic regionalism is visible in an international political economy where trade creates favourable space for nation states to form a group. This was accelerated sharply through economic integration and economic interdependence of nation-states through trade relations. Trade relations and FDI are making a strong backbone of economic integration and interdependence of nation-states through favourable space. The future political economic perspectives of BRICS should not be limited to trade and must seek to expand cooperation into other fields like finance, migration and people to people contact. Strong institutional policies within BRICS like RIC (economic interdependence) and IBSA (political interdependence) should be effectively implemented to strengthen its smooth functioning. The continental accessibility of BRICS countries has also been identified as a major factor in enhancing regional integration. The geographical and political supremacy of the constituent countries in their own region should be used to further assert the role of BRICS, thereby giving it a strong voice in global politics. These factors are made BRICS as different organization persuaded the new dimension of economic regionalism with regard to 'trade creates geography'. This study proposes a potential redefinition of the concept of economic regionalism through a platform like BRICS. A revised application of the theory helps in filling the existing knowledge gap in IPE, which is traditionally focused on geographical and political similarities.

The regional integration theories and customs union theories are more intensely exhibits the new dimension of economic regionalism in the international political economy, through which regional integration theories have focused more on the political interdependence of a

group and customs union theories focused more on the economic interdependence of a group through trade. The BRICS is a good platform to explain new dimension of economic regionalism (trade create favourable space), here this group is integrated through trade, FDI, and migration flows within the group. The above factors are influential in economic interdependence and cooperation. The BRICS common interests and concerns are united for their integration in the multilateral system. The interdependence between the BRICS's member states has accelerated sharply. This pattern is to continue in the next decade, forcing bilateral adjustments in these countries and their trade and foreign exchange and trade policies.

Cooperation among member countries can be accelerated and ensured through the effective implementation of the Contingent Reserve Arrangement, New Development Bank, Business Forum, Financial cooperation, and the Export Promotion Council. The BRICS Summits could be effectively being used as a platform to promote bilateral discussions among other regional or non-regional groupings to which the constituent countries are part of. The new trend which can be noticed the last few BRICS summits is that the inclusiveness of neighbouring states of the member countries as a stakeholder. These relations are visible in various summits held on Fortaleza (Mercosur countries), Durban (African countries), Goa (South Asian countries), and Ufa (Shanghai cooperation members). This will further the possibility of cooperation in bilateral engagements. It can be reinstating the BRICS identity in a global complex interdependence arena. The association of BRICS is more transparent on the division of powers like various institutions such as like New Development Bank, Contingent Reserve Arrangements, Business Forum, and Trade Union.

The concept of economic regionalism is defined as an empirically observable process of increasing cross-border activities, cooperation and coordination within a group of countries through integration. Originally, the concept of economic regionalism has been practised on the basis of economic cooperation between natural partners (neighbouring countries or countries on the same continent). In recent times, technological development reduced transaction costs which made inter-continental and global economic integration complex. The trans-regional integration that works beyond regions of geographical proximity is an

important concept in the modern globalized era. Geographical proximities often created tension through border conflicts between member states in a regional group. The BRICS is a group that works across continents based on shared interests, because of which trade linkages within are not limited.

The BRICS is facilitated by its level of integration and economic interdependence without the support of a unified geographical region. The liberalization of trade, the concept of a borderless world, universalisation, globalization and internationalization greatly support the concept of regionalism lesser prominent on geographical proximities. The study also found some significant facts related to the above-mentioned aspects of BRICS. The facts and arguments derived as a result of the study suggest positive changes to the BRICS institutional setup, which will in the long run help to ensure a legitimate space for itself in the ever-changing scenario. It will enhance trade and FDI relationship among the BRICS countries and a strong institutional setup which will help to reduce political tensions among member states, thereby giving them a better way in the multilateral world order.

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- ⁱ The definition derived from Britannica Encyclopedia, www.britanica.com
- ⁱⁱ The definition of region is an area, especially part of a country or the world having definable characteristics but not always fixed boundaries.
- ⁱⁱⁱ Derived from Britannica Encyclopaedia.
- ^{iv} Deeper integration means to move from informal economic integration to a formal agreement such as a free trade agreement, to a common market.
- ^v TIPP – firstly initiated in the 1990s, since 2013 under negotiations.
- ^{vi} CETA – signed in 2013; will be in force from 2016 on.
- ^{vii} “Open Regionalism” originates from APEC. The idea is that member states liberalize intra-bloc trade while at the same time lowering external trade barriers on imports from the rest of the world. This is a sort of “Concerted Unilateralism” whereby regionalism becomes a means for accelerating joint liberalization of trade and investment. Here the concept denotes a region-wide market economy that is also opened to the outside world.