BRICS JOURNAL OF ECONOMICS
DOI 10.3897/brics-econ.4.e99251
2023 Volume 4 Number 2

BRICS investment policy in contemporary environment

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Academic editor: M. Sheresheva | Received 24 December 2022 | Accepted 1 March 2023 | Published 30 June 2023

Citation: Yarygina, I., & Krylova L. (2023). BRICS investment policy in contemporary environment. *BRICS Journal of Economics*, *4*(2), 193–208. https://doi.org/10.3897/brics-econ.4.e99251

Abstract

Contemporary instability of the global economy and the consequences of COVID-19 determine the search for new ways to ensure sustainable economic and financial development of any country. This is especially important for developing countries, BRICS in particular. One of the ways of meeting new challenges is to strengthen cooperation between partners, so the paper examines the BRICS countries' investment policy, seeking to identify new areas of cooperation where harmonious investment could be most beneficial. The research uses comparative, logical, statistical and structural analysis with graphic visualization and interpretation of the obtained results. The authors have been first to identify contemporary investment opportunities for further cooperation within BRICS and to reveal their features in various areas, such as regulation, taxation, labor legislation, infrastructure development. The authors emphasize the necessity of the BRICS member countries' investment co-operation in reaching the goals of sustainable development and outline the priority areas of investment showing that the BRICS should grant preferential treatment to strategic investments. The paper points out the need to expand the use of national currencies in dealing with green and infrastructure bonds issued to support the national economies and calls for increased participation of BRICS development banks and institutional investors of all forms of ownership in the processes of partnership cooperation.

Keywords

international investments, BRICS, financial regulation, infrastructure development.

JEL: 016.

Introduction

Investment cooperation of the BRICS countries (Brazil, Russia, India, China and South Africa) is one of the priorities listed in the BRICS Economic Partnership Strategy, which also aims to promote the development of market relations, expand market access opportunities and create favorable environment for investors and entrepreneurs in all BRICS countries (Arapova & Chkoniya, 2016). Investment cooperation, together with other policies, is to strengthen the BRICS economies' balanced and inclusive economic growth and boost their international competitiveness (Bank of Russia…, 2022). The BRICS account for 17, 3% of the world's merchandise trade, 12,7% of its trade in services and 21% of the world's gross domestic product (GDP), or, calculated by purchasing power parity, about 30% of the global GDP. Willingness to expand and strengthen ties in the field of investment is reflected in all the main documents of the BRICS group. The issues related to multilateral investment cooperation in the BRICS format were extensively covered in the Goa Declaration of October 16, 2016, adopted by the participants of the VIII BRICS summit in India (Gusarova, 2017). The BRICS leaders expressed confidence in further growth of regional integration based on the principles of openness and equality, which would ensure the development of multilateral investment activities in industry and trade. The main purpose of the present paper is to detect the problems arising in the process of cooperation development and identify possible areas of cooperation between the member countries that may contribute to economic growth based on the implementation of the BRICS multilateral investment policy

Methods

The research is based on BRICS multilateral sources of information from official websites of international organizations, analytical materials of National Committee on BRICS Research, Bank of Russia, and BRICS declarations. The paper examines the state of financial relations among the BRICS countries and, having detected the existing problems, offers possible solutions based on comparative, logical and practical analysis of the structure, dynamics and graphical interpretation of the relevant information.

Results

To achieve the goal of the study, we analyzed the data that characterize foreign investments and foreign investment policy of BRICS. It appears that foreign direct investment in Brazil rose sharply between 2009 and 2011 but slowed down later (International Trade Center, 2018). In 2019, FDI inflows fell by 62%, from USD 65 billion in 2019 to USD 25 billion in 2020, according to the UNCTAD World Investment

Report 2021[1]. During COVID-19 pandemic, Brazil saw another drop in foreign direct investments (FDI) in 2020 as the privatization program and infrastructure concessions were suspended for several months. The worst-hit industries were transport (inflows fell by more than 85%), financial services (inflows fell by 70%), oil and gas production (foreign direct investment fell by 65%) and the automotive industry (also declined by 65%). However, even amid the COVID-19 crisis, significant investments continued to be made in the country[2].

Although Brazil was ranked 124th out of 190 countries in the World Bank's 2020 Doing Business Report, which is significantly worse than the previous year, when it was ranked 109th, the country is still one of the largest recipients of FDI in the world (Martínez-Zarzoso, 2013). Brazil is an attractive market for international investors owing to several factors: a domestic market of almost 210 million people, the availability of easily extracted raw materials, a diversified economy which is less vulnerable to international crises, and a strategic geographic location that provides easy access to other South American countries. The country is open to international trade but investing in Brazil remains risky because of cumbersome and complex taxation, bureaucratic delays, heavy and harsh labor laws (Mathur & Dasgupta, 2013). Other obstacles to FDI include onerous labor legislation that results in high costs for foreign companies, informal status of many local businesses, high production costs (wages, credit, energy, and logistics), insufficiently developed infrastructure, high level of regulatory risk (high taxation and tight fiscal system), high susceptibility to changes in commodity prices in international markets, and lack of skilled labor (Mogilat & Sal'nikov, 2015).

The National Investment Bank (BNDES), however, encourages foreign investments in the private sector[3]. There are also many incentives provided by Brazilian initiatives to attract investors: Inovar-Auto Program aims to promote technological development and increase energy efficiency; Consulta Pública Ex-Tarifário facilitates innovation in firms by temporarily reducing the tax rate on imports of capital goods; Renai provides potential investors with information on business opportunities in Brazil. Moreover, the Brazilian federal government offers investment support through funding and double taxation treaties. Brazilian Trade and Investment Promotion Agency (Apex-Brasil) also contributes to international cooperation. The agency helps potential investors with information about the national tax system, industrial property protection, labor and environmental legislation, credit support and incentives for foreign investors.

We are more optimistic about the situation in the Russian Federation. In spite of the economic slowdown, Russia's federal government and regional authorities are doing

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1 World Investment Report 2021. URL: https://unctad.org/system/files/official-document/wir2021_en.pdf (accessed on 13.10.2022).

2 Brazil Central Bank. URL: https://www.bcb.gov.br/en/legacy?url=https:%2F%2Fwww.bcb.gov.br%2Fingles%2Feconomic%2FSeriehistFluxoInvDir_i.asp (accessed on 13.10.2022).

3 The National Investment Bank. URL: https://www.bndes.gov.br/wps/portal/site/home (accessed on 13.10.2022).

a lot to attract direct and portfolio foreign investment that will contribute to the country's economic development. At the same time, the Russian Ministry for economic development regards the indicator of investment in fixed assets as the most significant, since it determines the potential of economic growth. In its turn, the Ministry of Finance of the Russian Federation is taking measures aimed at developing the financial market with the participation of business entities from the BRICS member countries: it has been proved by Gavin that a booming stock market can positively affect aggregate demand (Sunde, 17).

According to the Action Plan, the growth of investments in fixed assets is the main priority of economic and financial development of the country[4]. The main areas of activity in this respect are improvement of investment climate, reduction of business costs, financial support of investment activity, comprehensive infrastructure development, maintaining competitive environment and boosting the efficiency of companies with public participation;

Implementation of these measures requires joint activity by private firms and public organizations, such as the Ministry for Economic Development, the Bank of Russia, the Federal Anti-monopoly Service, and other government bodies involved in national economic programs. The most promising industries for FDI are infrastructure development, telecommunication, manufacturing, transport and other services. Although the actual share of investments in fixed assets in Russia is only 19% of GDP, their dynamics have been positive over the past five years. Investments in real estate and land improvement, as well as machinery and equipment (Figure 1) dominate the structure.

There are regional restrictions that limit the share of foreign capital in strategic industries. Other obstacles are related to regulatory issues. To overcome them, it is necessary to improve regulation and provide public support within the framework of agreement on the protection and promotion of investments, so that the projects that meet the criteria for the ratio of accumulated investments in fixed assets until 2024 per rouble of state support, may qualify for entering into agreement and receive funding from the federal budget which has allocated 39 trillion roubles for these purposes (Tinbergen, 1962). The adoption of Federal Law No. 69 of 01.04.2020 "On Protection and Encouragement of Investment in the Russian Federation" provides a legal basis for creating better investment climate and supporting cooperation between public and private FDI in the national economy (UNCTAD, 2018). In comparison with the other BRICS countries, the investment rating of the Russian Federation is currently the second in terms of quality, following China (Table 1).

The current Investment rating of Russia has been changed, which reflected the influence of political considerations on decisions in all areas of activity of the

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4 Plan of measures to accelerate the growth rate of investments in fixed assets and increase their share in GDP to 25 percent. Official site of the Ministry of Economic Development of the Russian Federation. Official site. URL: https://economy.gov.ru/material/file/d9498ee1660cc0d2cd3a59fac6ebcd16/plan25.pdf (accessed on 13.10.2022).

Table 1. Investment ratings of the BRICS countries based on the ratings of the largest rating agencies

Country/RA	Moody's	S&P	Fitch
China	A1	A+	A+
Russia	Baa3	BBB-	BBB
India	Baa3	BBB-	BBB-
Brazil	Ba2	BB-	BB-
South Africa	Ba2	BB-	BB-

Source: Bloomberg Professional as on 2021).

Russian economic entities aimed at reaching the country's strategic goals of sustainable development. It is important to note that the sanctions' pressure on the Russian Federation stimulates the development of the national economy and increases its financial support. Russia's policy in attracting foreign investments from partner countries is quite diverse. Primarily it is aimed at creating a better investment climate and infrastructure development, as well as improving the legal framework in this area.

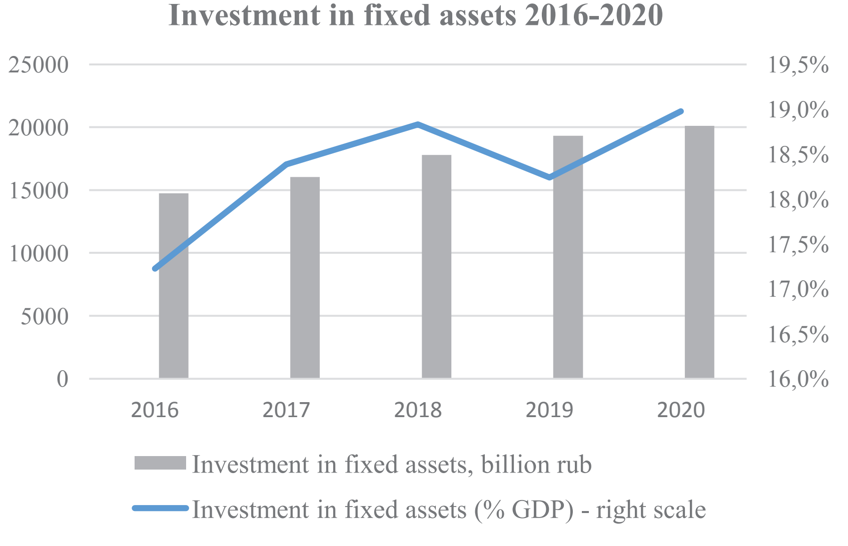

Figure 1. Dynamics of investments in fixed assets of the Russian Federation. *Source*: Statistical information of the Russian Federal State Statistics Service URL: http://www.gks.ru

Despite more than 10,000 sanctions against the Russian Federation and its business entities, the country's economic performance has not deteriorated and the growth trend continues; changes have occurred in the choice of partners. The government of the Russian Federation took measures to mitigate the effect of sanctions. These include tax deferral and support of regional authorities, credit holidays for small and mediumsized businesses, benefits for IT companies, preferential loans for businesses, investment loans to be provided under the program implemented by the Bank of Russia, the abolition of VAT for companies in the tourism sector. The public authorities have launched an online service "Import Substitution Exchange", which will make it easier for Russian manufacturers and customers to find each other for further cooperation.

According to the Decree of the Government of the Russian Federation No. 299 of 06.03.2022, organizations and individuals can refrain from payment of compensation for the use of patents without the consent of their owners if the owners are from unfriendly countries. The Russian Federation is currently increasing cooperation with developing countries, including BRICS, on the principles of mutual respect and mutual understanding

Since 1995, India has become one of the largest recipients of foreign investment (Pil'shhikov, 2017). Over the past 25 years, the amount of foreign investments received by the country had grown almost 29 times and reached 64 billion US dollars in 2020 (see *Figure* 2). Between 2009 to 2019, the amount of foreign direct investment in India

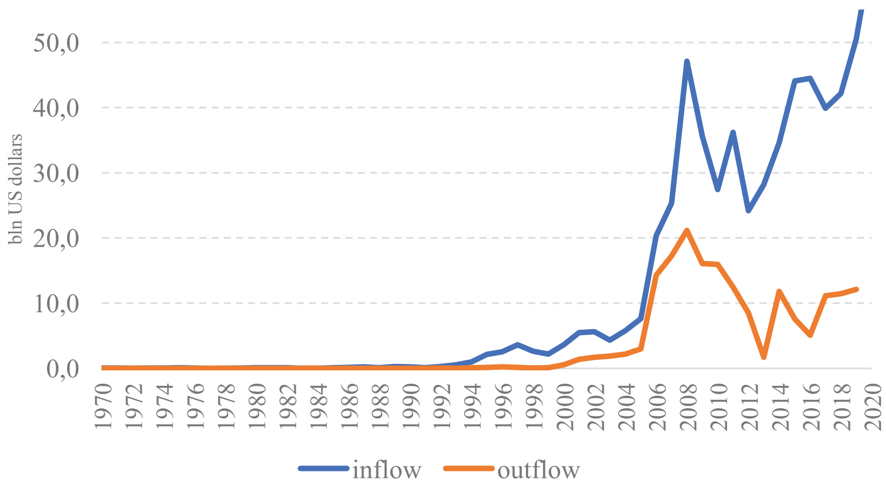

Figure 2. Volume of FDI to India in 1970-2019, US dollars billion. *Source*: made by authors based on the FDI Statistics. Department for Promotion of Industry and Internal Trade. MoCl GoI. URL: https://dpiit.gov.in/publications/fdi-statistics (accessed on 11.10.2022).

averaged 2.6% of the total global amount of foreign direct investments, and in 2019 it was 3.3%[5]. The forecast for the growth rates of foreign investments in India remains positive.

The Indian policy of attracting foreign direct investment has its own peculiarities (Yarygina, 2013). First of all, this is the desire of the Government of India to ensure

[5] FDI Statistics.| Department for Promotion of Industry and Internal Trade.| MoCl GoI. URL: https://dpiit.gov.in/publications/fdi-statistics (accessed on 11.10.2021).

priority treatment of foreign capital invested in the creation and development of new technologies, modern and high-tech industries, and construction of industrial and social infrastructure that requires significant financial investments. When the FDI attraction program was launched, priority was given to projects “from scratch” (green field investment), and only in recent years has the share of mergers and acquisitions increased (Gavin., 1989). As a result, foreign direct investment flows are directed to the industries that are currently seen as most important for India: services (finance, banking, insurance, outsourcing, R&D), software and computer technology, telecommunications, trade, construction. In total, over the period 2000-2020, accumulated investments in these sectors of the economy amounted to $248.5 billion (see Table 2).

Table 2. FDI inflows into Equity by sector from April 2000 to December 2020

Sector	Amount of FDI Inflows (In US$ million)	Percentage of Total Inflows
Services sector (Fin., Banking, Insurance, nonfin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	85 860,23	16,47
Computer software & hardware	69 296,23	13,29
Telecommunications	37 627,80	7,22
Trading	29 736,00	5,7
Construction development (townships, housing, built-up infrastructure and construction-development projects)	25 934,68	4,97
Others	273 134,27	52,35

Source: FDI Statistics. Department for Promotion of Industry and Internal Trade. MoCl Gol.URL: https://dpiit.gov.in/publications/fdi-statistics (accessed 11.10.2022).

An increased attention to the FDI in Indian economy is explained by the gradual liberalization of the economy since the mid-1990s and significant easing in the sphere of foreign capital flows.

China, over the past 10 years, has been one of the world’s largest recipients of FDI (Griffin, Stulz & Rene, 2001). Foreign investments in China hit a record amid a strong recovery from the coronavirus. According to official statistics, net foreign investments flow to China reached 442.8 billion USD in the first six months of 2021, which presents a 168% jump over the same period of 2020 [6]. The data point to the favorable dynamics of China’s economy and its investment attractiveness for foreign investors. Overseas investments in China include direct investment and portfolio investment, which separately accounted for 40% and 27% of net inflows in the first half of 2021. The total amounted to 442.8 billion USD (Jochum, Kirchgassner & Platek, 1999). Generally, there are two main factors that determine China’s position as a leader in foreign capital inflows. The first is the Chinese market with its large population. International firms are investing in China to gain access to its national market; some of them belong to ethnic Chinese who live abroad but retain ties with their homeland and have huge assets. FDI flowing from Hong Kong and Taiwan to the Chinese economy account for about two-thirds of all foreign investments of the country. There are over 25 million ethnic Chinese in Taiwan and over 6 million in Hong Kong. The liquid assets of ethnic Chinese are estimated at about 2 trillion USD. China plays a leading role in attracting FDI and continues to develop new procedures to increase inflows by developing market institutions. Export expansion based on the attracted FDI has helped China to accumulate the required foreign exchange reserves to modernize production, which at the same time stimulates FDI inflows.

As far as South Africa (SA) is concerned, the interest of investors both in the country and in the African region as a whole and is growing. Regional economic entities – participants of international financial relations – are, in greater or lesser degree, involved in interaction with the Republic of South Africa, investing in different industries (Kuzmin, 2015). The most influential players among those actively cooperating with SA come either from the BRICS (developing countries) or from advanced economies (USA and former metropoles) (Nieh & Lee, 2001). After SA joined the BRICS in 2011, the latter have been gradually yielding their positions to the former (Rockinger, 2000). Interaction between South Africa and the countries, participating in the BRICS intergovernmental association, is developing: a number of bilateral and multilateral agreements on mutual funding of large infrastructure projects have been reached both at the group and bilateral levels. An important role in this the process is also played by the BRICS New Development Bank. For instance, in September 2021, the BRICS countries signed agreements on financing 28 projects in various fields of activity (IT, logistics, trade, culture, etc.) for a total of 2 billion USD, 11 of which will be supported by South Africa[6].

The country's external debt has had a steady upward trend since 2009 (Yang, Hsiao & Wan, 2006). At the end of 2019 it amounted to 52.7% of GDP. At the same time the TOP 40 SAR index of the South African stock exchange rose from 23655.66 to 50816.05 rand. The largest companies from South Africa more than doubled their market capitalization. The most developed sector of the SA economy in terms of capitalization is the financial sector that includes companies providing financial services, such as Zeder, Old Mutual , PSG, and others. In the last decade of 2021 South Africa, previously a recipient of investments, began to make investments, which reflected the dynamics of the country's international investment position (IIP) (Fig. 3).

Before that, in 2015, South Africa became a net lender with a positive net international investment position and decreased amount of liabilities to external creditors, which may have resulted from changes in the legal regulation of foreign investments. At the same time, the country began to make foreign investments more actively than to accept them; investment assets kept their upward trend. It should be noted, that over the past 20 years, there has been a positive correlation between the rates of economic growth

6 The BRICS countries at the forum in China signed agreements on 28 projects for $2 billion // RIA. URL: https://ria.ru/20210908/soglasheniya-1749168278.html (accessed on 15.10.2022).

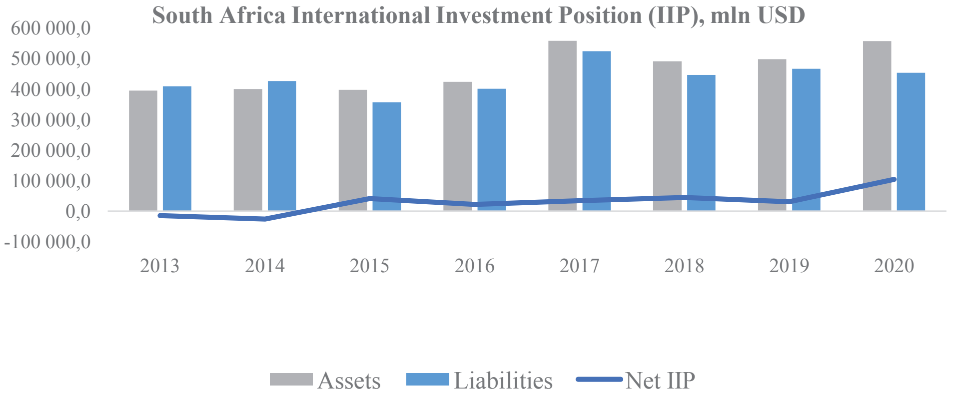

Figure 3. International Investment Position of South Africa (2013-2020). *Source*: made by authors based on the IMF Database. URL: https://data.imf.org. (accessed on 11.10.2022).

in South Africa and the dynamics of its foreign direct investment, which indicates the need for a policy of stimulating foreign investment in the country's economy for its further sustained development (Treanor, 2015). According to the World Investment Report 2020, South Africa was the region's largest investor in overseas economies and ranked second in foreign direct investment (FDI) inflows after Egypt. 2019 showed a significant decline in FDI inflows to the African region (by 10%), with the largest fall in absolute terms in South Africa and Nigeria[7]. The decline in FDI inflows was due to weak growth rates of the regional and global GDP, which reduced the interest of large investors in developing countries with a diversified and resource-oriented investment profile, including South Africa. It is also essential to define the structure of investment flows in South Africa (Table 3).

According to the results of the first half of 2021, the net IIP of South Africa remained positive. The structure of outflows from South Africa is dominated by direct investments in developed economies; foreign portfolio investments are also made mainly in the most stable companies included in the S&P500 index and other major stock indices. Other assets and liabilities are represented by loans issued by the South African banking sector to non-residents and their deposits[8]. Portfolio investments dominate the inflows. Although direct investment accounts for approximately a third of the total volume of inflows, foreign investors, especially from developing countries, prefer less risky investments with greater chances of obtaining high returns and higher liquidity. Nevertheless, the dynamics of FDI in South Africa is constantly improving, which indicates the growing interest of foreign investors. Table 4 shows the directions of inflows and outflows of foreign direct investment in South Africa by country (Table 4).

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[7] World Investment Report 2020 / UNCTAD. URL: https://unctad.org/webflyer/world-investment-report-2020 (accessed on 10.10.2022).

[8] Statistical Data and Reports. South African Reserve Bank. URL: https://www.resbank.co.za/en/home/publications/international-investment-position (accessed on 13.10.2022).

Table 3. Structure of investment inflows and outflows in South Africa, USD billion.

Type of investment	Inflows 30.06.2021	Outflows 30.06.2021
Direct investment	145.7	38.1
Portfolio investments	240.2	208.1
Derivatives	9.9	9.4
Other	61.4	49.2
Reserves	-	54.4
Total	457.2	559.2

Source: Statistical Data and Reports. South African Reserve Bank. URL: https://www.resbank.co.za/en/home/publications/international-investment-*position*. (accessed on 13.10.2022).

Table 4. Directions of FDI inflows and outflows in South Africa, USD billion (2019)

FDI inflows		FDI outflows	
Total	145.2	Total	215.0
UK	45.4	Netherlands	93.5
Netherlands	25.6	UK	26.2
Belgium	15.9	USA	15.7
Japan	8.8	Mauritius	11.2
USA	8.8	Australia	7.9

Source: Statistical Data and Reports. South African Reserve Bank. URL: https://www.resbank.co.za/en/home/publications/international-investment-position (accessed on 13.10.2021). IMF database. URL: https://data.imf.org/ (accessed on 13.10.2022).

It should be noted that the advanced countries retain their leading positions in terms of foreign direct investment in the South African economy. The BRICS countries are not included in the top five directions of FDI inflows or outflows in South Africa; the share of all the BRICS countries in the inflows of investments is about 4%, more than 90% of which comes from China. Advanced countries have a larger share of investments in SA in comparison with that of BRICS because, among other things, they have much greater amounts of available cash and more inclination to fund large risky infrastructure projects in the region. At the same time, Brazil, Russia and India have agreements with South Africa, but they tend to make small portfolio investments and enter into partnership agreements. So, Brazil invests in South African mechanical engineering companies (Marco Polo, WEG), Russia is willing to cooperate in developing new deposits and mining (Renova Group of Companies, Evraz), the Indian investors seem to be mostly interested mechanical engineering (Tatas, Mahindras) and pharmaceutical companies (Rainbaxy, CIPLA)].

According to the BRICS Declarations signed by the Heads of the states at the BRICS Summits, the partner countries are following the path of developing cooperation, backed by the international experience. It is quite obvious that international experience is an important source of useful methods for policy makers (Shuvalov, 2021), but the "laissez-faire" approach, or market fundamentalism, hardly has a serious potential to solve most economic and social problems. Market fundamentalism with its trust in a free market mechanism was popularized by George Soros in "The Crisis of Global Capitalism" (1998) [22]. Yet, practice has proved the greater adequacy of the approach offered by J. E. Stieglitz, who criticized the IMF, saying that it advocated policies generally referred to as the market fundamentalism and based on incorrect understanding of economic theory and wrong interpretation of the historical data. Stieglitz argued that correct understanding meant reasonable regulation and cooperation in solving common problems and meeting new challenges. There is an on-going process of re-engineering international cooperation in the globalized economic environment. The speed of cooperation depends on macro- and microeconomic factors, on the degree of participation in the global market, supply of products and political support. The aims of any government are linked with economic and social developments, successful production, safe banking, financial stability and effective debt management that is the main feature of post-COVID globalized economy. They can be reached through the development of international cooperation and support for relevant financial institutions, which is extremely important in contemporary global environment.

Discussion

The BRICS countries' successful cooperation in the field of investment requires adequate regulation. The existing differences in investment policy and legal regulation do not improve administration of projects and development programs but it takes time to overcome the difficulties and manage risks. Regulatory issues require better understanding as it can help to implement the FDI policy more effectively.

Possibilities of foreign investments in Brazil are limited: they require a special permit for exploration and mining in border areas, telecommunication, broadcasting and healthcare. However, the investment regime in Brazil is liberal enough as it allows foreign investors to have a controlling stake in companies. The Foreign Investment Promotion Agency provides information on the necessary permits. All foreign investors are also required to appoint a representative in Brazil who, together with the representative of the company-FDI recipient, will be responsible for registering the transaction in the Foreign Direct Investment module of the Central Bank of Brazil (RDE-IED) in accordance with the instructions of the Central Bank. The registration and declaration of foreign investors is the responsibility of the Central Bank of Brazil.

The government of Brazil provides assistance to investors: it encourages foreign investment by offering tax exemptions, aid, funding, and agreements that limit double taxation. The Special Customs Regime for the Export and Import of Goods for the

Exploration and Production of Petroleum and Natural Gas (REPETRO) is a tax incentive for importing certain goods by suspending import duties, federal excise taxes, PIS imports, COFINS imports, and the Freight Margin for Merchant Ships (AFRMM). In addition, there is a special regime of incentives for infrastructure development (REIDI), which consists in the suspension of PIS and COFINS for the sale or import of new machinery, tools and equipment, construction materials and certain services used or included in infrastructure projects in transport, port, energy, basic hygiene, and irrigation sectors. The Brazilian government has launched an infrastructure investment program. The state is a member of the Free Trade Zone of Manaus (ZFM). Brazil has signed several bilateral agreements to protect foreign investments; it is also a member of the Multilateral Investment Guarantee Agency convention. Recent agreements and foundations for investing in Brazil include bilateral investment agreements with India, Morocco, UAE, Suriname, Ethiopia, Chile, Colombia, Mexico, Angola, Cuba, USA and agreements with investment clauses (TIPs) with MERCOSUR, Peru, Chile, and other countries.

Russian main sources of investment policy regulation include the Federal Law of February 25, 1999 No 39-FZ "On investment activities in the Russian Federation, carried out in the form of capital investments"; the Federal Law of July 09, 1999 No 160-FZ "On Foreign Investments in the Russian Federation"; the Federal Law of April 29, 2008 No 57-FZ "On the Procedure for Making Foreign Investments in Business Companies of Strategic Importance for Ensuring the Defense of the Country and Security of the State" and the Federal Law of July 21, 2005 No 115-FZ "On Concession Agreements". The investment policy of the country is based on the Decree of the President of the Russian Federation of May 7, 2018 No. 204 "On national goals and strategic objectives of the development of the Russian Federation for the period up to 2024", as well as the Action Plan to accelerate the growth rate of investments in fixed assets and increase their share in GDP to 25%, and other orders and decrees of the Government of the Russian Federation, regulations of the Bank of Russia and other legal acts related to the implementation of investment policy [23].

The basis of the investment policy of the Government of India in relation to foreign investors is laid by the document "Consolidated Policy on Foreign Direct Investment". It is updated every year by the Ministry of Commerce and Industry of India. According to this document, foreign investors have two types of routes for investing in India – automatic and government. Their difference is that the first does not require prior approval by the Government or Reserve Bank of India. In the second case, investor draws up a special application, which is considered by the ministries, the Department for the Promotion of Industry and Internal Trade and the Reserve Bank (applicable for certain areas of industry). In 2021, India introduced a requirement that all investments coming from countries sharing land borders with India must receive prior Government approval in order to stop opportunistic takeovers or acquisitions of Indian companies during the pandemic. This measure can mitigate possible risks from the strong influence of foreign investors on the Indian economy. At the same time, India has made certain new concessions for foreign investors in a number of industries.

Relevant changes were made to the FDI policy in civil aviation: non-residents were allowed to own up to 100% of Air India (the previous permissible value was 49%). Investments in the coal mining industry were opened for coal companies (now they are allowed to bid for coal mines). Digital media industry has been liberalized: foreign ownership is now allowed up to 26%. The FDI ceiling for insurance companies has been raised from 49% to 74%.

China has made impressive progress in developing a regulatory framework to attract and promote investment over the past three decades. Policies to encourage FDI have been highly successful. Over the past few years, government of China has been pursuing a policy of ensuring political stability. Moreover, the government ensures the predictability of the country's economic policy, which is an important incentive for attracting foreign capital. The Chinese authorities support and attract FDI inflows by introducing tax breaks, tax holidays for companies with foreign capital. In addition, the government of China has removed many barriers to FDI. For example, before China's accession to the WTO, TNCs had not been allowed to invest through mergers and acquisitions, which is the most common way for TNCs to operate, so the Chinese authorities removed barriers. The strategy of attracting FDI to the Chinese economy is based on the gradual increase of the openness of the economy.

China is implementing a policy aimed at increasing FDI inflows into the economy in the most priority areas, regions and industries. In this regard, the Chinese authorities began to implement consistent liberalization of the economy and foreign trade and allowed foreigners to hold controlling stakes in the sectors that had previously been closed. Such sectors include metallurgy, food processing, production of various consumer goods and the automotive industry nd some others.

The general course of South Africa towards liberalization in the field of foreign investment was taken in the 1990s after the fall of the apartheid regime. Foreign investors are currently able to invest in most areas of activity, although there are restrictions for industries of strategic importance (banking, mining, energy, etc.). Investments in such industries may require obtaining a license from an authorized ministry in order to stay in line with national interests of the authorities.

A unique feature of legal regulation in South Africa, both in the economic sphere in general, and in the investment sphere in particular, is the focus on supporting "historically disadvantaged persons" in order to overcome the consequences of the policy of apartheid ("Broad-based Black Economic Empowerment policy"): the state obliges employers to allocate special reserved quotas for the black population (at least 80% of employees at the enterprise), to cooperate with black businesses and to allocate a certain share of the revenue to fund investment projects to fight against discrimination. Among foreign companies, the state provides a wide range of benefits and gives priority to those supporting "disadvantaged persons", for example, in the distribution of licenses for the extraction of minerals. This policy of "positive discrimination" is reflected in a number of South African laws (Competition Act, Companies Act, Development of Mineral and Petroleum Resources Development Act, Diamond Mining Act, etc.).

After joining the BRIC group, disagreements arose among the political forces in South Africa, especially in the approach to the regulation of foreign investments. The ruling party, which lobbied for this idea, believed that foreign investors, by virtue of the concluded bilateral agreements between South Africa and third countries, could interfere in the internal processes in the country, which violated sovereign rights and negatively affected the country's economy. So, in 2015, the Protection of Investment Act was adopted, which significantly restricted the rights of foreign investors and involved the denunciation of the existing bilateral investment treaties of South Africa with third countries. The implementation of the Act makes it difficult to protect the interests of private investors in arbitration disputes that affects the investment climate in South Africa. In addition, it is planned to tighten regulation of foreign capital in certain sectors of the economy. The changes imply the establishment of a maximum share of ownership by foreign investors for the sphere of security companies, natural resources. It is also planned to expand the list of grounds for compulsory confiscation of property in favor of the state in the public interest. Thus, despite the success of the policy of stimulation the FDI and creation of a favorable investment climate in the 2000s in South Africa, the ruling party of South Africa is currently favouring protectionist approaches to securing the national interests and protecting certain segments of the local population. The cancellation of South African bilateral agreements in the field of foreign investment significantly increases the risks for foreign investors and may entail a decrease in the inflow of funds into the country's economy from abroad.

The research has proved that there are significant contradictions between the legal support of the BRICS investment policy and FDI in particular. An important task that needs to be resolved as soon as possible is the harmonization of the legal framework of foreign direct investment that contribute to the development of the national economies of the BRICS member states.

Conclusions

The research allowed us to conclude that it is advisable to follow the path of liberalization and harmonization of intergovernmental investment policy and foreign direct investment in reaching the goals of sustainable development. Various methods and instruments can be used to stimulate FDI, including tax incentives, financial support, double taxation treaties. The example of China shows the importance of a carefully designed long-term FDI promotion policy to ensure the advanced development of target industries and sustainable growth of the country's economy as a whole.

Differences in foreign investment regulatory framework, taxation, labor legislation, and poor infrastructure development are obstacles to further cooperation in the investment sphere of the BRICS countries. In this regard, it is important to develop investment cooperation in agriculture, medicine, industrial and social infrastructure, green and blue energy production, science and technology.

The conducted analysis confirmed the need for the development of tools and methods for financing the interaction of the parties in order to promote sustainable development within negotiated short-and long-term strategy for BRICS economic partnership. It is noted that the priorities of long-term strategy for BRICS is strengthening the position of countries in the global economy and improving their international performance.

It seems appropriate to expand the use of infrastructure and green bonds in national currencies aiming to support the development of the national economies of the BRICS member countries and increase the participation of development banks with the participation of BRICS members and institutional investors of all forms of ownership in the processes of stimulation partnership cooperation. In this respect, it may be useful to introduce economic policies that pave the way to economic development, such as better access to loans, government grants to new industries, tax relief for manufactured exported goods.

A major goal for the BRICS member states to achieve is the use of national currencies in trade and investment. Accelerating the process of harmonization of financial relations will facilitate the BRICS countries' financial interaction and expand participation of economic entities in the sound development of the national economies.

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