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# Russia as a country of BRICS: Issue of identification

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**Abstract**

The approach of development economics has been rarely used in the studies on the BRICS research agenda. This article is an attempt to fill this gap. According to development economics, the appearance of the BRICS association is fully justifiable, because large emerging economies have much in common. Russia is the most advanced country among the BRICS, even though some years ago it fell into the group of laggards in terms of economic growth, together with Brazil and South Africa. It may be partly explained by those countries' adherence to neoclassical recipes of economic policy. It is believed, however, that national economic interests of all the five countries could be more effectively served by a combination of further pro-market reforms with public interventions to correct the inevitable market failures. That is why, for the Russian comparative advantages to be fully realized, the country should rely not so much on trade liberalization as on coordination among the BRICS governments in their actions aimed at trade and investment promotion.

**Keywords**

BRICS, emerging economies, economic growth, institutions, development economics.

**JEL:** E2, F5, O3, O4, O5.

BRICS as a format of multilateral cooperation has existed for about fifteen years; throughout the period it has been a priority for the Russian foreign and economic policies. The BRICS countries have gained substantial geopolitical influence as an effective counterbalance to the G7 (Kirton & Larionova, 2022; Larionova, 2018). However, many conceptual issues related to economic interaction in this format have not been properly resolved: there is no complete clarity even on the criteria by which the BRICS countries are united into one group for research purposes and, unsurprisingly, the grounds on which Russia was included in this association remain questionable. So far, as the very economic nature of BRICS has not been accurately defined, it is difficult to predict the future of the grouping. Scholars speculate about possible free trade area established by BRICS with far-reaching measures of liberalization, which, however, are considered contradictory even within the neoclassical paradigm, and should be administered with great caution.

In reality, BRICS are, first and foremost, a constellation of the largest developing economies. It is therefore the development economics, which can offer the most suitable research tools and most likely to come up with insights into the common trends of the BRICS countries' evolution. Yet, this approach has been largely ignored by the researchers of BRICS, with very few exceptions (Petrone, 2023). There is an obvious problem of lack of unified methodology in the development economics, but it can become an advantage, since a variety of contesting schools may generate a good deal of creative ideas. Most fortunately, the development economics guards against an unbounded faith in market mechanisms, reminding that the development process involves the deliberate nurturing of markets and that market failures are inevitable in any economy.

Today, these issues are of crucial importance for Russia, which had been a superpower in the Soviet past, then presented itself as part of the advanced world and now seems content with the status of an emerging power. Its BRICS membership gives Russia excellent opportunities but, in order to take them, its authorities and business community need to have a clear idea of the economic trends it shares with other countries in the group. At the early stage of its existence, the group consisted of the fastest growing economies of the time. By the present day, however, substantial differences in the rates of economic growth of the five countries have unfolded, with Russia becoming one of the laggards. The reasons why it happened certainly need explanation. Another critical question concerns the optimum forms of economic interaction between Russia and the other BRICS members, considering the market failures that have occurred in the process of development. This article attempts to suggest answers to these questions.

## In search for something in common

Indeed, the BRICS countries differ greatly from each other. They are scattered over several continents. Russia and China have a long common border, just as China and India, but, despite geographic proximity, their civilizations are radically dissimilar. The same applies to Brazil and South Africa, whose cultures were formed largely under the influence of migration flows and colonial experience; with colonial masters in one case were Mediterranean powers speaking Romane languages, and in the other Germanic languages-speaking Dutch and Anglo-Saxons.

BRICS political systems vary from pluralistic democracy to partocratic regimes. More importantly, the countries occupy different positions in the international division of labor: China specializes in the export of manufactured products, India is gradually strengthening its position in the international service markets, while Brazil, South Africa and especially Russia are major exporters of raw materials.

There is an opinion that the acronym BRICS was coined by financiers as a marketing hype only to designate a certain field for possible investment in high-yield assets. Yet, the famous paper by the Goldman Sachs's employee J. O'Neill, that was the first to use this coinage, did not concern investment in financial products. Its aim was to draw attention to the fact that, at the turn of the 21th century, the economies of the four countries were growing much faster than the G7 advanced countries, and so the share of the BRIC in the world GDP increased noticeably. O'Neill predicted that, if this trend continued, the BRIC countries would make a significant, if not decisive, contribution to global economic growth, while changes in their fiscal and monetary policies and exchange rates of their currencies would exert profound influence on the rest of the world.

Hence, O'Neill considered it expedient to expand participation of these countries in the global governance. He proposed to reform the G7 by way of including not only Russia, but also the other BRIC countries. In a sense, O'Neill predicted the subsequent coordination of efforts of the BRICS countries. However, he did not pay much attention to the causes of those economies' rapid growth (O'Neill, 2001).

This was done two years later by his colleagues D. Wilson and R. Purushotaman. They predicted that by 2039 the total GDP of the BRIC grouping would exceed that of the G7 (excluding Canada). Their calculations were based on the neoclassical theory of economic growth by R. Solow whose model assumes that there are three major sources of GDP growth: the first is the increase in the employment of labor force; in this the populous BRIC countries obviously had natural advantages. The second is capital accumulation, which, again, was most relevant for group: at the start of the 21st century its members were far from the "steady state", i.e., they had a relatively low capital abundance per employee and its increase could be a long-term driver of economic growth. The third source of GDP growth is technological progress, expressed as the growth of total factor productivity. The BRIC countries could use their own innovations and also borrow technologies from developed countries (Wilson & Purushotaman, 2003).

Wilson and Purushotaman insisted that their econometric technique was by no means limited to extrapolating from the rapid growth trends that were characteristic of the BRIC in the early 2000s. This would have been pointless because of the multiple changes occurring in developing economies over time. The marginal productivity of capital is declining, i.e., with significant absolute and per capita GDP already achieved, their further increase at a high rate would require unrealistically large additional expenditures of capital and other economic resources. Moreover, as economies reach higher technological levels, the borrowing or imitation of foreign technological achievements no longer brings about the same "breakthrough" effect.

Although in the long run the GDP growth in developing economies inevitably slows down, they tend to have long periods of faster organic growth than that in advanced countries. It means that the divergence of economic dynamics of BRIC and G7 observed at the turn of the 21$^{th}$ century was a natural phenomenon. An anomaly was observed earlier, in the 1980s, when many developing countries grew slower than their Western counterparts because of excessive external debts and mistakes in their economic policies.

However, it has become clear today that the major flaw of the Solow model, as well as that of many other neoclassical theoretical constructions, consists in excessive claims to its universal character, suitability for all facts of life. The Solow model assumes that the patterns of economic growth in both developed and developing countries are the same, the difference lying only in the quantitative parameters of certain sources of GDP growth. This approach may seem formally correct, but it will remain unacceptably superficial unless the researcher gains profound understanding of the processes in the developing economy, which requires spotting their qualitative features that may or may not be expressed in quantitative indicators.

The real specifics of the developing economy is that a new industrial structure is being formed in it, i.e., industrialization and urbanization are taking place, and, at the same time, market institutions emerge and start developing; so the countries, where such processes were particularly dynamic, and whose GDP was growing rapidly, came to be called "emerging market economies". This is how they should be distinguished from a large array of countries that are developing only in name, but in fact are close to stagnation.

Developing economies are studied by a separate discipline, which is called the theory of economic development or development economics. Its conflicting schools' contributions have been sufficient for clear understanding of the reasons why the GDP growth rates in developing countries are higher than in the developed, post-industrial economies. Generally, conditions for accelerating economic growth are created by improvements in the allocation of resources and by increases in the efficiency of their use. W.A. Lewis and the followers of his concept of "dual economy" have shown that in developing countries such conditions arise in the course of industrialization as labor and other economic resources are flowing from traditional, low-productivity agriculture to the urban, industrial sector of the economy (Lewis, 1954).

R. Lucas and other proponents of the theory of "endogenous" economic growth maintain that the emergence of new industrial sectors makes it possible to compensate for the falling return on investment of physical capital by the accumulation of human capital, i.e., knowledge, competence and production skills. In individual industries, the marginal productivity of human capital also has a long-term downward trend but the qualified personnel can move to newly emerging industries and apply their skills and competence there. Such externalities can ultimately ensure the long-term high rates of economic dynamics in the country (Lucas, 2002).

U. Bawmol, who created the concept of "cost disease", showed that in manufacturing industries labor productivity was usually higher than in the service sector and the former tend to reduce production costs faster than the latter. In developing countries the share of industrial sectors in GDP is increasing, and, therefore, the total output of the economy can grow faster than in the countries that have embarked on the path of post-industrialization (Bawmol, 1967).

R. McKinnon and E. Shaw, the founders of the theory of "financial deepening", pointed out that developing countries were characterized by low monetization (the ratio of money supply to GDP). Its gradual increase caused by the development of financial markets creates long-term conditions not only for the accumulation of capital, but also for the activation of consumer demand, which is another driver of economic growth (McKinnon, 1973; Shaw, 1973).

A. Gerschenkron, who introduced the concept of "advantages of backwardness", speculated that countries that had embarked on industrialization later that others have greater potential for economic growth: the countries relying on the catch up effect can attract capital and technology from advanced countries and, moreover, it may be easier for them to create the newest industries of the time (Gerschenkron, 1962).

In the "endogenous" theories of economic growth, this idea is formulated more elegantly: as the global stock of human capital increases, the technological and institutional externalities generated by this process spread between nations. As a result, GDP in developing countries can grow faster not only than that in contemporary advanced economies, but also in comparison to how economies of the West were growing during their own, 19$^{th}$ century, industrialization (Tamura, 1996).

The presence of these factors, however, points only to a potential for rapid economic growth. D. North and other proponents of institutional approach have shown that realization of this potential depends on whether the existing institutions in the country foster productive activities or encourage rent-seeking, whether they contribute to the accumulation of physical and human capital and technological innovation or oppress them. With unfavorable configuration of institutions, even a country with large potential is running the risk of falling into some kind of "poverty traps" and stay there for years (North, 1990). In this regard, development economists rightly point out that there is no uniform way of development; instead of universal laws there are only general trends that manifest themselves in individual countries with varied intensity.

Still, this absence of universal laws or development recipes does not run counter to the idea of the grouping for the research purposes of the largest developing countries that are among the top ten in terms of GDP. These economies most probably have in common certain patterns that are different from those in the West and, therefore, economic processes in these countries can and should be the subject of a comparative analysis. It should be noted that in the theory of economic development, dividing lines have long been drawn between large and small emerging economies.

M. Syrquin, who pioneered the comparative studies of developing countries, divided them into the four groups: large economies with primary goods orientation; large economies specializing in manufacturing; small economies exporting mainly raw materials; small economies specializing in manufacturing (Syrquin, 1988). Countries with large populations are by definition better provided with labor resources. They have capacious domestic markets, and their economic growth can be supported by substitution of imported industrial goods over long periods of time. Moreover, their enterprises can rely on economies of scale when selling their products within the country. This is especially important for mechanical engineering and other capital-intensive industries with long payback periods.

Thanks to these advantages, large countries have the potential to form a full set of industrial sectors. On the contrary, small economies, whose inner markets are not big enough to reduce costs to optimum levels, tend to satisfy their demand for many goods by way of imports. Large countries may also enjoy another advantage: as they usually have strong interregional inequality the attempts to smooth it may create good opportunities for the long-term economic growth.

Yet, large economies also have their weaknesses. They are more predisposed to strict protectionism against imports than the smaller ones. As a result, "hothouse conditions" for national companies may proliferate and prevent firms from increasing their efficiency. Industrial sectors in large countries usually develop faster than in the small ones, but they are slower to gain competitiveness in foreign markets. If large countries are well-endowed with minerals, their authorities are often prone to populism, as they seek support from large groups of the population by redistributing income from commodity exports (Syrquin, 1988).

Among the largest developing economies, Brazil and India have been excellent objects for comparative studies since both countries had initially adhered to the dirigiste, inward-oriented industrialization and later, in the 1990s, began to "open" their economies. In China, with its market transformation unfolding from the 1980s onwards, the country's economy gradually began to resemble other large developing economies. A similar case was observed in South Africa, where apartheid regime was dismantled in the 1990s and the economy got freedom from international sanctions that had previously suppressed its development. It is not surprising that at the start of the 21st century, the four countries, brought together under the name of BRICS, began to be regarded as archetypal examples of "emerging market economies".

The situation is more complicated with designating Russia as a member of the group in question. A country with a post-socialist transition economy, Russia combines features of both developed and developing countries. The similarity with the former is determined by such factors as the presence of a diversified sectoral structure of the economy developed during the Soviet period, extensive industrial and social infrastructure, home-grown R&D base, and high quality of human capital provided by the national education system. Characteristics that Russia shares with developing countries include:

- *dualism of the economy* as a coexistence of modern, internationally competitive industrial and service industries with backward areas. In the Russian Federation, backwardness is concentrated not so much in traditional agriculture and urban handicraft production as is usually the case in developing countries, but mainly in the areas of the economy that are still under-reformed. Dualism is aggravated by the presence of a large, export-oriented raw materials sector. It determines Russia's predisposition to the "Dutch disease": one of the symptoms is the dominance of a large, state-connected (oligarchic) business in the economy while the small and medium-sized enterprises remain relatively weak;
- *dualism of the social structure*, which means the coexistence of two types of territories: first, areas of modern urban civilization with relatively high living standards and behavioral stereotypes typical of the population in developed countries and, second, zones of poverty and paternalistic consciousness;
- *structural transformation*, which includes shifts in both the sectoral and institutional build-ups of the economy;
- *a comprehensive set of comparative advantages* that allows Russia to support economic growth both through export expansion and through the saturation of its large domestic market. In this regard, economic policy is faced with the task of choosing the optimum combination of export promotion and import substitution, and with the choice between "openness" of the economy and its self-sufficiency;
- *the need for technological modernization* through both nurturing Russia's own innovative capabilities and borrowing foreign technologies;
- *a prominent position in the global economy*, including the status of the largest economy in the region (in Russia's case, this is the territory of the former USSR, and partly Eastern Europe), leading positions in international trade in certain goods (for Russia, these are raw materials and the military equipment), and the roles of major importer and exporter of capital.

At first glance it may seem that the Russian economy has most similarities with that of China as both countries have been moving from centrally planned to a market-type economy. However, the structures of their economies and sources of their growth differ significantly (Table 1). The major differences are historically conditioned: the Russian economy underwent industrial transformation in the 20$^{th}$ century while China and India to date have not completed the processes of industrialization and urbanization of their societies. On the other hand, the Russian industry created under the command system, since the late 1990s began to act on the domestic market of its own country on new terms, i.e., focusing not on the instructions of planning authorities, but on signals from demand. In the course of this process, the chains of intersectoral and inter-firm relationships have been transformed, which largely resembles the logic of industrialization.

**Table 1.** Sectoral structure of the BRICS economies in 2019, % of GDP

| | Agriculture | Industry | Services |
|---|---|---|---|
| Brazil | 5,2 | 20,9 | 73,9 |
| Russia | 3,8 | 35,9 | 60,3 |
| India | 19,3 | 26,6 | 54,0 |
| China | 7,1 | 39,0 | 53,9 |
| South Africa | 10,4 | 20,9 | 68,7 |

*Source:* (BRICS 2020 Joint Statistical Publication; Brazil, Russia, India, China, South Africa, 2020, p. 44).

However, these features bring Russia closer to Brazil and, to a lesser degree, South Africa, whose industrial potential created in the era of strict import substitution is now adapting to the new conditions. In Brazil and South Africa, primary industries make up a significant portion of their GDP and exports, which is similar to Russia. The social indicators, however, such as education coverage, provision of housing and utilities, and income inequality in Russia look much better than in Brazil and, especially, South Africa (Table 2).

**Table 2.** Indicators of social development of the BRICS countries, 2019

| | Brazil | Russia | India | China | South Africa |
|---|---|---|---|---|---|
| Illiteracy rate (persons 15 years old and over), % | 7,0 | 0,2 | 14,0 urban, 29,0 rural | 2,7 | 4,2 |
| Ownership of cars per 100 persons | 4,9 | 31,0 | 2,0 | 11,0 | 9,0 |
| Infant mortality rate (per 1000 live births) | 11,9 | 5,1 | 32,0 | 6,1 | 22,1 |
| Gini coefficient | 0,539 | 0,411 | 0,367 | 0,465 | 0,639 |
| GDP per capita, US $ | 8754 | 11584 | 2045 | 10276 | 5979 |

*Source:* (BRICS Joint Statistical Publication 2020; Brazil, Russia, India, China, South Africa, 2020, pp. 11, 13, 44, 71-82).

## Broader vision for joint endeavours

In the 2010s - early 2020s, Russia, the most developed country of the BRICS association, joined the two group laggards in terms of economic growth, Brazil and South Africa (Fig. 1). The reasons for the sharp slowdown in each of these countries are numerous and their detailed clarification goes beyond the scope of this article. One should remember that economic dynamics of all the BRICS countries, including India and China, were badly hit by the COVID–19 pandemic in 2020-2021. On the whole, there have been no reasonable grounds to believe that any of these countries has exhausted its potential for rapid growth because of reaching high level of development: in this regard neither Russia nor Brazil nor South Africa have shown a remarkable success.

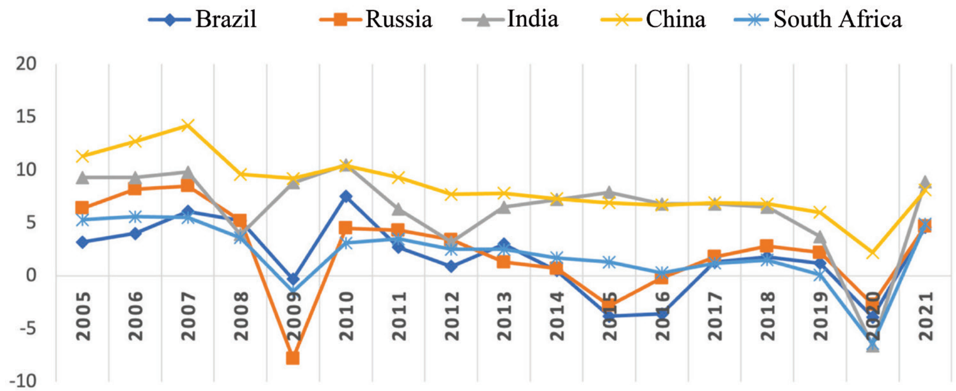


**Figure 1.** Real GDP growth rates in the BRICS countries in 2005-2021, %. *Source*: IMF

When analysts draw parallels between the negative experience of the Russian Federation, Brazil and South Africa of the last decade, they tend to point out the perpetuated dependence of these economies on commodity exports and, therefore, the symptoms of the "resource curse" (such as excessive concentration of capital in the extractive industries; feeble effects of technological externalities and investment multiplier generated by the dominant commodity industries in the economy; predominance of rent-seeking behavior among economic agents; vulnerability to price fluctuations on international markets; excessive appreciation of national currency).

There is, however, a more fundamental problem that these economies have in common, without resolving which it will be impossible to overcome the "resource curse" and "Dutch disease". It is generally assumed that for successful modernization, a developing country needs to maintain a gross capital formation rate of at least 25-30% of GDP. Among the BRICS countries, only China and India have managed to do this and it obviously explains their rapid economic growth.

In China, the investment rate exceeds 40% of GDP; it is provided by an even higher savings rate (about 45% of GDP). In India, these indicators are approximately equal (about 35% of GDP), which indicates a fairly effective use of national savings. In Brazil and South Africa, savings rates (about 16% of GDP) are lower than investment rates (about 20% of GDP), which means that economic growth in those countries is unstable simply because it is supported not so much by investment as by consumer demand. Russia's savings rate is quite high, almost at the level of India, but the gross capital formation rate is much lower (about 20% of GDP), which suggests serious defects in the mechanism of transformation of savings into investment.

Even in the developed countries such transformation does not occur automatically through the market interaction of demand and supply of financial resources. This was convincingly proved by J.M. Keynes and his followers. In emerging economies market environment is still unfolding, and the "launch" of capital formation at full capacity is particularly difficult for them. It is hardly possible to rely solely on such imperfect market institutions, and governments usually supplement them with public "institutions of development" (infrastructure and export-import banks, venture capital funds, free economic zones, and others), and protectionist foreign economic policy.

Doing so, the state does not displace private investment and enterpreneurship, but undertakes certain functions that market mechanisms cannot yet perform due to their immaturity. It encourages private business to invest in industries and sectors of the economy that are prioritized, and assumes part of the investment risks. If private investment is insufficient, the state makes up for the deficit from its budget.

"Institutions of development" have been established in all the BRICS countries. Still, the balance between government interventions and market self-regulation differs across countries. In China and India, governments do not hesitate to participate directly in the economy if it benefits GDP growth. But the political elites of Russia, Brazil and South Africa seem to share the belief that investment should be generated mainly by the private sector, and the government's primary tasks are to ensure macroeconomic stability through inflation targeting, balanced state budget and flexible exchange rate and to provide "undistorted" institutional conditions that include, among others, low import duties, absence of non-tariff trade barriers, and liberal regime for foreign investment.

In the framework of this approach the "developmental institutions" look, at best, as a kind of "appendage", the effectiveness of which is reduced by corruption. It is hardly possible for such institutions to solve the fundamental problems of developing economies, i.e. to increase the rate of gross capital formation, ensure the transfer of capital to non-resource industries, and help diversify the sectoral structure of the economy.

Today it has become clear that an excessive tilt towards neoclassical recipes of economic policy coupled with upsetting the optimum balance of market forces and state intervention can lead the country into one of the "poverty traps". Economic policy measures aiming to accelerate economic growth in Russia, Brazil and South Africa can hardly be reduced to deregulation, privatization, budget consolidation, etc. These countries need to implement active industrial policy, support major industries with tax benefits and preferential loans; the state should directly participate in the industry clusters with good prospects safeguarding them through protectionist and other necessary measures.

The need to maintain the optimum balance between state and market cannot but affect further development of economic cooperation among the BRICS countries. The building of economic "bridges" between them is hardly possible without the direct participation of national states, which puts obvious limits on the liberalization of flows of goods and capital within the BRICS.

Free trade agreements are theoretically possible but not practically feasible. Trade liberalization tends to seriously intensify competition in the national markets and sometimes cause destruction of entire industries. It is not very probable that BRICS will use even the preferential trade zone model in which liberalization would cover only a limited number of commodity groups that do not cause direct clashes of interest.

More realistic policies will consist in multilateral cooperation among goverment: the national states will support the export of goods and services to the BRICS partner countries with fiscal and credit subsidies to companies, export insurance, consulting and marketing support for exporters, and other measures. They can jointly create infrastructure for mutual trade, such as commodity exchanges, e-commerce platforms, logistics centers, and transport hubs. Public companies may become crystallization centers of joint investment projects, which will also contribute to the expansion of trade in the BRICS association. The economic diplomacy of the BRICS states will continue to play an important role in promoting activity in these areas.

For Russia, cooperation in the BRICS provides opportunities to move forward on the path of export diversification, and use, at last, the strengths of its own economy. Russian competitive advantages are generated by its significant technological potential, accumulated capital and high quality of labor resources; and it will indeed be easier to use them first in the markets of developing countries rather than go directly to advanced markets. For the other BRICS countries, the presence of Russian companies, including state-owned, can be useful in many problem areas of their own economies. Such mutually beneficial cooperation can develop in several domains.

In *the energy sector*, it is possible to coordinate the interests of large exporters (Russia, Brazil) and importers of hydrocarbons (China, India). In order to gain greater autonomy from price fluctuations in Western markets, the BRICS countries could create a joint commodity exchange, thereby expanding the activity of the BRICS Exchange Alliance, now limited to operations with shares.

There are bottlenecks in *the infrastructure sectors* of all the BRICS economies. But if in Russia the agenda is primarily to modernize and further develop the infrastructure created in Soviet times, in the other countries (especially in their backward regions) infrastructure facilities often need to be built anew. This creates excellent business opportunities for the Russian energy and transport engineering companies, whose products are traditionally competitive abroad so the Russian state should actively promote their penetration to the BRICS markets. At the interstate level, the BRICS countries could create joint construction funds that would act as investors in the related facilities in all the countries, including Russia.

In *the agricultural sector*, the problem of food security is still acute for the overpopulated China and India and partly for South Africa. In recent years, Russia has become one of the leaders in the international markets for grain and some other agricultural products. The state could further use the methods of economic diplomacy to remove technical and administrative barriers to Russian-made goods, as has already happened in recent years with the supply of Russian food to China.

In *the social sphere*, all the BRICS countries are facing the need to expand the coverage of the population (especially its low-income strata) with medical services. In recent years, the Russian government has taken special measures to modernize the domestic healthcare, pharmaceutical and medical equipment industries, giving them export orientation. The emphasis on meeting the demand in the BRICS countries would be a rational choice, since in these countries not only high-tech branches of Russian medicine (oncology, ophthalmology) can be competitive, but also the services of a middle technological level may follow fuit.

In *the financial sphere*, all the BRICS states are making effort to diversify the ownership structure in their banking systems. With political support of the state, the Russian credit institutions could take an active part in privatization programs abroad. If the development banks of the other BRICS countries act as investors in the Russian financial sector, it will help Russia to make use of their experience in structural policy.

Possibilities of cooperation in such *high-tech industries* as aircraft and ship building, telecommunications, electronics, and bio-engineering should not be overestimated. In these areas, the BRICS countries as a rule act as direct competitors, supporting their own companies with protectionist methods. Investment cooperation here can be promising in certain niches where the Russian side has technological or financial advantages, or within broader, "package" deals (for example, when, in exchange for allowing Chinese or Indian companies to invest in natural resource extraction in Russia, these countries provide Russian producers with access to their markets of high-tech goods and services).

Summing up, the analytical grouping of large emerging economies into the BRICS association with Russia included is fully justified. Russia has some features of a developed country, such as diversified sectoral structure of the economy, national R&D base, and high quality of human capital. At the same time, the dual nature of its economy, the need for technological modernization, and the prominent position on the global level allow researchers to treat Russia as one of the largest emerging nations.

However, Russia's huge economic potential has been underutilized, partly due to the weak industrial policy. The country needs an effective combination of further pro-market reforms and public interventions to correct market failures; this is where the experience of China and India may prove especially useful. At the same time, the inevitably high degree of the state presence in the economies of BRICS may restrict possibilities of mutual economic liberalization. That is why for the Russian comparative advantages to be fully realized, it would be better to rely not so much on trade liberalization as on coordination of the BRICS governments' actions aiming to promote trade and investment.

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