Proceedings of ICILLP 2025 Symposium: Property Law and Blockchain Applications in International Law and Legal Policy
DOI: 10.54254/2753-7048/2025.LD28601

BRICS Expansion: Inviting Egypt from the Perspective of South-South Cooperation and Comparative Advantage Theory

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Abstract. Egypt, recognized as Africa's third-largest economy and a pivotal nexus linking three continents, poses significant inquiries regarding how its integration aligns with the collaborative objectives of developing nations and the complementary nature of its factor endowments with those of the existing BRICS members. This study examines the rationale behind Egypt's inclusion in the BRICS expansion from the dual perspectives of South-South Cooperation and Comparative Advantage Theory. Through literature analysis, case studies, and comparative methods, this research constructs a "demand-capability" framework to analyze the alignment of development aspirations and factor complementarity, addressing gaps in existing geopolitically-focused studies and bilateral trade-centric comparative advantage research. The findings underscore Egypt's distinctive role in fostering connections between African and Asian markets and augmenting the global reach of BRICS, thereby offering a robust theoretical foundation for grasping the economic rationale underpinning BRICS' expansion.

Keywords: BRICS Expansion, Egypt, South-South Cooperation, Comparative Advantage Theory, Factor Endowment Complementarity

1. Introduction

On January 1, 2024, the BRICS countries expanded historically to include Saudi Arabia, Egypt, the United Arab Emirates, Iran, and Ethiopia, evolving from the traditional "BRICS Five" to the "BRICS Ten" [1]. As Africa's third-largest economy and a core member of the Arab states, Egypt's accession has attracted widespread international attention. This ancient civilization, with its 110 million population connecting Asia, Africa, and Europe, has distinguished itself among numerous applicants. The expansion aligns with the South-South Cooperation's pursuit of "win-win collaboration among developing countries" and supports mutual benefits through factor endowment complementarity between Egypt and BRICS countries. This study addresses these core concerns, noting that existing research often focuses on the geopolitical aspects of BRICS expansion, with less emphasis on its economic logic. Scholars acknowledge the BRICS mechanism's evolution into a platform for co-constructing discourse power among developing countries, yet a systematic analysis of African countries' role positioning within it is lacking [2]. Studies on the Comparative Advantage

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Theory mostly focus on bilateral trade, with relatively insufficient attention to the mechanism of factor complementarity [3].

This research adopts methods of literature analysis and case study to analyze the cooperation practices between Egypt and BRICS countries, and employs a comparative analysis method to highlight Egypt's unique advantages over other African candidate countries. The innovation lies in coupling the "South-South Cooperation perspective" with the "Comparative Advantage Theory" to construct a "demand-capability" analytical framework, which not only examines the alignment of development aspirations between BRICS and Egypt but also analyzes the complementarity of factor endowments between the two sides, thereby breaking through the limitations of traditional geopolitical analysis and revealing the deep economic rationality behind the expansion decision.

2. Core concepts and theoretical foundations

Since the concept of South-South Cooperation was proposed in the 1950s, it has evolved from the initial "resource mutual assistance" to a composite cooperation model of "industrial chain collaboration + joint construction of global governance discourse power". Against the backdrop of the current reform of the global governance system, its core essence is reflected in developing countries achieving complementary advantages through multilateral collaboration and collectively enhancing their right to formulate international rules [4]. As an important practice of South-South Cooperation, BRICS expansion does not solely consider economic scale but places more emphasis on the candidate country's regional representativeness, economic complementarity, and alignment with South-South Cooperation, providing an opportunity for middle-income economies like Egypt, which play a strategic pivotal role, to join [5]. The Comparative Advantage Theory provides a theoretical basis for analyzing this cooperation logic. Ricardo's "Theory of Labor Productivity Differences" can explain the development changes in trade between BRICS countries and Egypt, while Heckscher-Ohlin's "Factor Endowment Theory" can reveal the underlying logic of traditional trade complementarity, namely the natural matching between the capital and technology factors of BRICS countries and the location and labor factors of Egypt. The New Comparative Advantage Theory further introduces dimensions of "institutional complementarity" and "market scale effect", such as the economic and trade agreements between Egypt and BRICS countries and the attractiveness of the 110 million population market to multinational enterprises, which demonstrate stronger explanatory power in multilateral cooperation scenarios.

3. From the perspective of South-south Cooperation: mutual needs between BRICS and Egypt

From the perspective of the practical evolution of South-South Cooperation, the BRICS mechanism has transcended the mere scope of economic cooperation and gradually become a key platform for developing countries to coordinate global governance positions and promote the transformation of the international order. According to data from the International Monetary Fund, the voting power of the BRICS Five accounted for 14.80%, the BRICS Ten accounted for 18.19%, EMDEs accounted for 46.85%, the United States accounted for 17.40%, and the Group of Seven accounted for 43.36% [6]. In comparison, in 2023, the current US dollar GDP of the BRICS Five accounted for 24.93% of the global total, EMDEs accounted for 41.59%, and the Group of Seven accounted for 44.50% [7]. The discourse power of the Global South and the Group of Seven is generally comparable on paper, but South-South Cooperation mechanisms are numerous and fragmented, making it difficult to maximize the overall strength of Southern countries. Under the existing international institutional system, Southern countries as a whole remain in a disadvantaged position when facing developed

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countries. The BRICS countries aim to become leaders of South-South Cooperation, and the institutional mismatch between the discourse power and economic strength of Southern countries and BRICS countries vis-à-vis the Group of Seven has made BRICS countries recognize the urgency of absorbing more regionally representative countries.

Compared with other countries in the region, Egypt has three advantages. First, Egypt is the only country with African, Middle Eastern, and Arab identities simultaneously. Second, benefiting from this uniqueness, Egypt has become a communication bridge for Global South countries. Egypt is an initiator and founding member of the Non-Aligned Movement, a founding member of the Arab League and the Organization of African Unity (the predecessor of the African Union), and a crucial promoter of regional political and economic cooperation, such as the African Union's "Agenda 2063", and Global South cooperation. Inviting Egypt to join BRICS can effectively fill the gap in BRICS' cooperation network with African-Middle Eastern regional and Arab countries. Third, after reclaiming the Suez Canal, Egypt has become an unavoidable transportation hub. Egypt is a member of The African Continental Free Trade Area, Pan Arab Free Trade Area, and The Common Market for Eastern and Southern Africa, and has also signed free trade agreements with regional organizations such as the EU, EFTA States, and MERCOSUR, as well as many countries [8]. For BRICS countries, Egypt can become an important link in expanding economic and trade networks.

For Egypt, BRICS countries have advantages that other international organizations cannot replace. The Egyptian government, facing sustained economic pressure, urgently needs more stable external support with fewer additional conditions and more controllable risks. Egypt has long relied on aid from Northern countries such as the United States and international organizations dominated by them like the International Monetary Fund, but this tradition has been impacted in recent years. After the US Federal Reserve sharply raised interest rates in 2021-2022, the Egyptian pound depreciated significantly against the US dollar. Due to maintaining a fixed exchange rate, the gap between the official exchange rate and the actual exchange rate of the Egyptian pound became huge, leading to massive capital flight. Egypt agreed to the IMF's financial support conditions in March 2024, implemented a floating exchange rate, and relaxed economic controls, followed by the collapse of the Egyptian pound [9]. In addition, economic aid from major donors, such as the United States, is also at risk of suspension. The Biden administration once delayed the disbursement of planned aid to Egypt on human rights grounds [10]. In January 2023, the Egyptian Parliament approved accession to the New Development Bank, with some members believing that this move would help obtain financial and technical support, reduce demand for US dollars, boost product exports, and alleviate external debt pressure [11]. The New Development Bank is the "stepping stone" for Egypt to join BRICS. Furthermore, for Egypt, aspireing to return to an important pole of the Global South and exert greater influence on the international stage, joining BRICS, composed of relatively strong Southern countries, not only symbolizes Egypt's gradual return to the historical tradition of South-South Cooperation but also helps restore its prestige among Southern countries.

The complementary needs between the two sides mean that, from the perspective of South-South Cooperation, Egypt's accession to BRICS is a "mutually beneficial endeavor".

4. From the perspective of comparative advantage theory: the complementarity mechanism between Egypt and BRICS countries

The perspective of South-South Cooperation can indicate that BRICS countries and Egypt have mutual needs, while the Comparative Advantage Theory can explain the economic motivations behind the expansion.

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Egypt's comparative advantages mainly lie in geographical location in terms of factors, and in some primary chemical products and agricultural products in terms of commodities. Geographically, Egypt, which is home to the Suez Canal, serves as a key hub for economic and trade exchanges between China and India with pan-Mediterranean countries, and also an excellent springboard for Russia's return to Africa. In terms of labor, Egypt's average wage level is significantly lower than that of Russia, China, Brazil, as well as South Africa and India, so BRICS countries can save labor costs by investing in factories there [12]. The Suez Canal Economic Zone, established in 2015, has further expanded Egypt's geographical advantages: the economic zone is managed autonomously with a better business environment compared to Egypt as a whole; in addition to the long-standing advantage of low labor costs, investors in the economic zone can also import a large number of goods duty-free and label the origin as Egypt when exporting, using Egypt's signed free trade agreements to avoid trade restrictions in target markets [13]. In terms of commodities, Russia is relatively dependent on Egypt's fresh fruits and some vegetables, such as grapes, oranges, mangoes, and potatoes; India is relatively dependent on Egyptian cotton; and Brazil imports a large amount of Egyptian phosphate fertilizers [14]. Compared with its geographical advantages, Egypt is limited by its total export volume in trade with the BRICS Five, and its comparative advantages are not obvious compared with other countries.

The value supply of BRICS countries to Egypt is mainly reflected in three dimensions: capital, technology, and collaborative governance. The operational model of China State Construction Engineering Corporation (CSCEC) is representative among Chinese enterprises in Egypt: CSCEC's investment and financing can alleviate Egypt's fiscal distress; CSCEC's innovative technologies can improve the overall technical level of Egypt's construction industry through local talent training; CSCEC's operations can not only ensure the overall effect of contracted projects, facilitate further investment attraction, but also assume part of Egypt's social responsibilities, such as employment, medical and health care, and green and sustainable development [15]. Among Russia's existing investments in Egypt, the under-construction four-unit El Dabaa Nuclear Power Plant is a relatively successful case. In August 2023, the Egyptian Nuclear and Radiological Regulatory Authority (ENRRA) issued the construction license for Unit 4; by 2030, all four units are expected to be put into operation [16]. On July 8, 2025, Egypt and Russia signed a supplementary agreement on energy cooperation, aiming to accelerate the construction of the nuclear power plant, thereby assisting Egypt's energy transition and realizing the vision of renewable energy accounting for more than 40% by 2030 [17]. In June 2023, Egypt and India upgraded their relationship to a "strategic partnership", and bilateral economic and trade relations and investment also heated up simultaneously: India has accelerated investment in Egypt in the fields of communications, logistics, and pharmaceuticals in recent years, and Indian enterprises have successively built a global logistics center, a vaccine production line, and a mobile electronic device factory in Egypt [18].

Among the officially operational investment projects of the BRICS Five, the China-Egypt TEDA Suez Economic and Trade Cooperation Zone excellently embodies the complementarity of comparative advantages between BRICS countries and Egypt. Combining the dual advantages of Chinese infrastructure construction and Egypt's geographical location, as of July 2023, the zone "has attracted over 140 enterprises to settle, with actual investment exceeding 1.6 billion US dollars, cumulative sales exceeding 3.7 billion US dollars, taxes paid exceeding 200 million US dollars, directly creating nearly 6,000 jobs, and driving approximately 50,000 jobs through industrial development", with product exports covering African, Middle Eastern, and European markets [19]. This indicates that if the comparative advantages of the BRICS Five and Egypt are properly coordinated, they can sufficiently form a cooperative effect of "1+1>2".

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5. Challenges and responses to expansion

BRICS expansion faces dual challenges of internal coordination and external interference. Internally, disparities in development levels exist among BRICS countries. In 2023, per capita GDPs for Russia, China, and Brazil exceeded $10,000, while South Africa reached $6,000, and Egypt lagged at 3,400 US dollars [20]. This economic gradient complicates alignment on technical standards for industrial transfer. Despite improvements in Egypt's business environment and institutional quality, significant gaps remain compared to global standards [21]. Externally, geopolitical factors impact Egypt's economy, leading to skepticism about its BRICS membership. Critics argue that Egypt's import increment from BRICS countries may exceed its export increment, increasing its trade deficit and political participation pressure.

To address these doubts, BRICS countries can construct systematic solutions based on comparative advantages, promote South-South Cooperation through economic development, and diminish doubts and concerns with actual results. For example, in industrial collaboration, a "BRICS-Egypt Advantage Alignment List" can be established: China focuses on infrastructure and the digital economy, Russia concentrates on energy cooperation, Brazil assists in improving agricultural technology, India provides information and communication support, and South Africa shares experience in mineral resource development. Countries can support the development of corresponding industries in Egypt according to their comparative advantages, and also cooperate in cross-cutting fields to improve Egypt's overall production efficiency and export earning capacity. In terms of financial security, the New Development Bank can establish an "Africa-Middle East Special Loan" to provide customized financing solutions for the infrastructure gaps of new members such as Egypt, with capital subscription based on the principle of "average basic contribution, additional voluntary contribution", encouraging funders with funds and willingness to increase investment and granting equal rights in the use of the loan. In response to public opinion doubts, the expanded BRICS countries can jointly establish a "South-South Cooperation Case Database" to refute false accusations through visual data. These measures will effectively reduce coordination costs and enhance cooperation resilience.

6. Conclusion

This study, from the dual perspectives of South-South Cooperation and the Comparative Advantage Theory, reveals the inherent logic of BRICS inviting Egypt for expansion. The research finds that Egypt's regional representativeness forms a strategic alignment with BRICS' South-South Cooperation aspirations, and its geographical location and labor advantages form strong complementarity with the capital and technology factors of BRICS countries. Empirical analysis shows that existing cooperation cases have produced significant synergistic effects, and projects such as the China-Egypt Suez Industrial Park and Russia-Egypt energy cooperation have verified the feasibility of comparative advantage complementarity. This cooperation model not only conforms to the essential characteristic of "mutual benefit and win-win" in South-South Cooperation but also enhances the overall competitiveness of developing countries through the optimized allocation of factors.

The study has two limitations: first, it did not construct a quantitative model to measure the economic effects of expansion, and second, it insufficiently analyzed the potential cooperation frictions caused by cultural differences. Future research can use the gravity model to estimate trade creation effects and introduce a cultural dimension to construct a "cooperation adaptability index".

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Practically, post-accession, BRICS can leverage Egypt to create an "Africa-Middle East South-South Cooperation Network," with initiatives like cross-regional industrial chain collaboration, a Suez Canal Economic Zone upgrade, and "South-South Cooperation Green Bonds" to finance renewable energy. These steps aim to evolve BRICS into an "BRICS+N" open model, offering a new paradigm for Global South cooperation.

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