

Deepen BRICs Cooperation and Promote Global Governance

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BRICS plays an exceptional role in global governance, whose impact and status is constantly on the rise in the ever-changing international relationship. However, it seems profound knowledge, deep exploration and further research need keeping on regarding to what BRICS stands for, how its member nations ought to carry out cooperation, what part it should play to promote the reform and remaking of international order.

I. The Proposal and Role of BRICs

The BRICs is an investment concept originated from Goldman Sachs to create a buzz. In 2001, the global stock market ushered in a powerful boom. To direct its investment, this company introduced the word BRIC, the acronym of Brazil, Russia, India and China (South Africa joined in 2010 so that it became BRICs). 15 years passing by, BRICs has evolved into a significant strategic platform for its member nations to participate in global governance. Ever since the 17th CPC National Congress, China weighed the BRICS as important as the United Nations, G20 and Shanghai Cooperation Organization.

II. The Dialogue Mechanism, Objective of Cooperation and Appealing Demands of BRICs

1. The dialogue mechanism. So far, the cooperation of BRICs has extended to all levels. 28 ministerial coordination mechanisms including the annual BRICs Summit, the Meeting of BRICs Senior Representatives on Security Issues, the Meeting of the BRICs Trade Ministers and the Meeting of BRICs Education Minister, together constitute the basic dialogue system among BRICs nations.

2. The objective of cooperation. More than collaborating to survive the abrupt financial crisis in 2008, BRICs aim at exerting more influence upon the international political arena. In fact, the world cannot afford overlooking BRICs by now, whose political strength fully displayed after Crimea declared independence from Ukraine. Russia was kicked out of G8 then. While the heads of other 7 nations met, declaring that the west values freedom, the foreign minister of BRICs also convened a meeting, claiming that BRICs value the balance of international relationship. It is evident that the confrontation of the two blocs marked the rise of BRICs, a power that could contend with G7. After that, the establishment of The New Development Bank of BRICs was proposed at the 6th BRICs Summit

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in Fortaleza, Brazil and the agreement to form a Contingency Reserve Arrangement was reached. Each stride BRICs took as aforementioned improved its own strength and laid solid foundation to stand firmly on the international stage.

3. *The appealing demands of BRICs members.* BRICs nations enjoy numerous common interests, which is the base of their cooperation. Nonetheless, their physical truth varies. Brazil enjoys a vast territory of over 8 million square kilometers, a population of 200 million and population density of 26 per square kilometer. Most of its landscape is covered by Amazon rainforest, which contributes abundant forest and mineral resources. Its iron ore accounts for 10% of the world totality. The trade volume in 2014 between China and Brazil amounts to 950 billion dollar, the majority of which is contributed by bulk commodities such as iron ore and wood. Moreover, as it is the only one of five BRICs nations that has no so-called “foreign enemy”, Brazil’s major concern is to sustain its international status and economic development.

As for South Africa, its major concern is to seek a voice in African affairs. The 7th BRICs summit was held in Moscow, Russia in July this year, during which every member nations implied their own pursuit. Take the preparation of The New Development Bank of BRICs for example. While bank presidents respectively assigned by India, China, Brazil and Russia have assumed their post at the end of May, South Africa hasn’t even brought out the name list, for its attention is mainly directed to African affairs. It hopes to obtain more assistance from The New Development Bank of BRICs so as to increase its influence in the regional affairs. In 2013, the 5th BRICs summit kicked off in Durban, South Africa. Jacob Zuma, the president of Africa National Congress (ANC) invited many state leaders of other African nations, implying for more assistance from BRICs New Development Bank. During the preparation, although the statement has made clear for each position which country should send their official, there is game playing in practice out of national interests, which will not be discussed here.

Faced with enormous economic pressure though, Russia was seemingly indifferent towards The New Development Bank of BRICs at first. However, with the vicissitude of international situation, Vladimir Putin, President of Russia hopes taking advantage of it right now. He deliberately held the 7th BRICs Summit and the 14th SOCS Summit at the same time, during which over 20 state leaders arrived in Moscow. The number is the equivalent of that on 9th May when Russia has held a huge parade to mark 69 years since the Soviets defeated the Nazis. Such spectacular scenery was created to kick the butt of the west. Moreover, Putin intended to further expand its influence. During the summit, he proposed to draw

up road-map for BRICs economic cooperation with the intention to declare Russia would lead the BRICs cooperation in the coming 5 to 10 years. As such, ***Russia seeks the increase of its international status and national influence through BRICS cooperation.***

India pursues the development of economy. Narendra Modi, its current Prime Minister advocates the establishment of platform to enclose more lands for industrial areas. Therefore, he mainly concerns about how much India could loan for BRICs New Development Bank, how small and medium-sized enterprises could enter the foreign market and how to yield economic returns from other nations.

III. Accomplishment of BRICs Cooperation and Its Conditional Analysis

On the whole, the cooperation of BRICs nations has witnessed remarkable achievement, especially the establishment of BRICs New Development Banks and Contingency Reserve Arrangement, as the counterpart of the World Bank and IMF. The duty of The New Development Bank of BRICs is to provide economic assistance to BRICS nations and other states which Contingency Reserve Arrangement is set to deal with payment crisis. In spite, a commission akin to Basel Committee on Banking Supervision and the Financial Stability Board (FSB) may be established to supervise domestic banks of BRICS nations, exchange and share the supervision information and set standard for banking and other financial sectors. The three arrangements mentioned above is the core of the BRICS cooperation in financial sectors. Tracking the history of the Bretton Woods System, the cradle of the IMF, we can find at first the UK and US had huge divergence. Although the agreement finally came to terms in the mid-1940s, it took another 10 years to have internal and external conflicts settled. Hence, the IMF and WB began to run in the mid-1950s. Similarly, different appeals of each member country result in many disputes during the preparation of The New Development Bank of BRICs and Contingency Reserve Arrangement. However, it ends up that both systems worked well, which fully demonstrates the capability of BRICS to carry out cordial cooperation in financial sectors.

It is clear that BRICs cooperation in financial sectors has reached great success, which can be attributed to three reasons as follows:

First, BRICs nations have common international strategic needs. The IMF, WB, Basel Accord and Basel Committee on Banking Supervision are established and led by western nations. During the financial crisis in 2008, none of these institutions and agreements decidedly turned the tide. Although the WB claims to provide equal development assistance to every country in the process of lending, the truth is that nations coming

closer to the US could obtain more assistance. Besides, recipient nations at times have to accept additional conditions. For instance, in recent years, the WB offered assistance with double standards to developing nations such as Korea, Malaysia and Indonesia and developed nations under the wing of the US such as Greece and Spain. To the former, it either turn its back or adds conditional conditions; the latter, it shows great generosity, which leads to the grievance from emerging and developing nations. Ever since, they had common strategic needs, that is, to change the current international financial system based on the Bretton Woods System and strive for fair treatment.

Second, BRICs nations have to balance the internal and regional interests. During the preparation of BRICS New Development Bank, each country funded equally to balance the internal interests. As for the Contingency Reserve Arrangement, China funded over 50% while others funded depending on their conditions. In the end, each country got what they've wanted and the system was balanced. In spite of the internal one, its member country also directs attention to the regional balance. For instance, ever since BRICs Summit in Durban, heads of the host country also invited state leaders from other nations in its region. Hence, a new structure combining BRICs and the region was nucleated, which is led by BRICs nations to realize regional stability and balance. The three balances serve as the prerequisite of substantial accomplishments through BRICs cooperation.

Third, developed nations in the west don't perform well enough. The first two conditions pull the cooperation forward while this one pushes it from behind. During the financial crisis in 2008, western nations couldn't turn the tide. Later on, though these nations agreed to reform like adjusting the position of IMF, no visible endeavor was made. In addition, western nations didn't try their best to reform some crucial financial institutions regarding to the world and people's well being. In stark contrast to them, BRICs nations harbored their duty in mind, actively advocate reform and promote development so that remarkable achievements have been reached. Besides, the western nations nudged many nations to the BRICs side, creating a favorable climate for cooperation.

Tracking back the history of the development of BRICs cooperation, ***every step is extremely difficult. In fact, BRICs cooperation is not only influenced by international politics but also by their domestic politics***, which won't be discussed here. Generally speaking, ***new progress in BRICs cooperation is made every 5 years***. The frame of BRICs cooperation shapes not a regular pentagon. Instead, ***every country strains inward to meet their national interests***. But in terms of global governance, ***BRICs nations enjoy common demands and interests***, which

serve as the guarantee of cooperation and further development. Despite petty niggling, under tension and the three conditions aforementioned, BRICS cooperation will carry on.

IV. The Ideology of Sustainable Cooperation

G20, an international forum for the governments and central bank governors from 20 major economies currently determines the fate of the world. However, there are actually 2 big camps in its framework, one is G7 lead by the US, Germany and Japan, the other is BRICS-led developing nations such as Indonesia and Turkey. The two camps have to compete with each other to win more support from nations outside G20 with ideology and proposal. Center for BRICs Studies of Fudan Development Institute and other relevant institutions in China have carried out discussion to put forward ideology and slogans, which BRICS nations could merrily accept and other nations dare not to oppose openly. By this measure, BRICS nations could further build consensus and be aware of the development direction.

1. Inclusive competition. The ideology of inclusive competition could serve as the guideline for BRICs cooperation. G20, in its essence is an arena. Although China insists on diplomatic occasions that our country only complements rather than competes with developed nations. Facts are that competition is inevitable when we carry out researches and formulate relevant policies. For instance, the foundation of The New Development Bank of BRICs has already taken a share of the spoils and Asian Infrastructure Investment Bank took another later. Hence, ***we must realize and admit such competitions.***

Moreover, we must recognize ***the essence of competition lies in the development pattern and the supply of global public goods.*** A competitive development pattern refers to sustain a fast and sound development. After 300-year evolution, the western development pattern has formed its own system with distinctive features. For instance, the US is able to adjust its economic and political structure in time according to the current situation. No matter how abrupt the change is, it could quickly follow suit. But, it is certain that the western development pattern is not flawless in the light of chronic financial crisis and other evidence.

Compared with western nations, BRICS nations have also achieved huge success in terms of the speed and effect of development, making them great emerging powers in the world. Admittedly, there are numerous loopholes in the development pattern of China and India such as corruption, economic inequity, and insufficient institutional arrangement. However, there are pros and cons in each development pattern. Hence, in the competition, nations should learn from each other and independently

choose their development paths, patterns and orders.

As for the competition of international public goods, quality is the top priority. The service provided by the IMF and WB was once counted as the international public goods of high quality, because of which the hegemony of the US was established in the early postwar period. Now, Asian Infrastructure Investment Bank and BRICs New Development contend with the IMF and WB by means of providing new public goods and other alternative to some nations and regions. The quality is the key to win such competition.

If we can confine competition to two types mentioned above, then there will be no zero-sum game. That is to say, nations don't need to develop at others' expense. Instead, they could learn from each other and engage themselves to make more contributions to the world. By this measure, theoretically speaking, the relation between the developing nations and developed ones would become a win-win situation rather than a zero-sum game, where there is inclusive competition instead of confrontation.

The former part focused on the competition between BRICs nations and other nations. Facts are that inclusive competition is indispensable to BRICs. In practice, conflicts emerged one after another. For instance, the trade between China the other four nations accounts for 90% of the total volume of trades among BRICS nations. More often than not, other four nations are unable to reverse the trade deficit. The pentagon BRICs formed is irregular, for each country has its own appeal and competition methods, which is the so-called inclusive competition. On one hand, effective communications and negotiations are required to make clear that in view of labor force and technology, China would inevitably take the most advantages. On the other hand, BRICs have to seek change. A dole ought to be co-funded to solve the trade clashes and secure the trade order. Although such means could not radically solve the problem, it may create a fair and equitable climate. ***BRICs nations should also actively participate in the formulation of new international trade rules. With solidarity, BRICs nations could compete with the west and fight for its own interests. Meanwhile, the pro-free trade policy should be ushered in to facilitate trade between BRICS nations and realize win-win situations.***

2. Equity, autonomy and green. The ideology of equity, autonomy and green serves as the guideline to instruct BRICS cooperation. Equity is raised on account of international development assistance. Difference shall not be made between donor nations and recipient nations. Nations should seek self-development when offering assistance to others and create favorable development conditions for others when receiving

assistance. As for autonomy and green, the priority is to pay off stale debts. China is often subject to blames from western nations when dealing energy and climate change issues. For instance, western nations levy carbon tax on Chinese airlines, which fully demonstrates that the west is unaware of and unwilling to pay off stale debts. In this case, we have to clarify the historical responsibility first and then rebuild the development order.

V. Breakthroughs need in BRICs Cooperation

BRICs nations have proposed two methods to make new breakthroughs in its cooperation. The first is to establish BRICs Energy Association. Russia and Brazil enjoy rich gas and oil resources; Brazil also has the first-class aircraft industry and development technology of renewable resources in the world. However, led by new applications of hydraulic fracturing technology and horizontal drilling, development of new sources of shale gas has offset declines in production from conventional gas reservoirs, and has led to major increases in reserves of US natural gas, which means these two BRICs nations is faced with a export smaller market. To deal with it, Russia suggested establish a BRICs Energy Club, gathering the biggest gas and oil supplier as well as its consumer, that is, the BRICs nations and developing a stable supply-demand relationship so as to realize a sustainable development.

Second is to establish BRICs Crop Association. While China is struggling for its limited arable lands, 1.8 trillion though, Brazil, Russia and South Africa have abundant land resources. However, these nations are worried about how to make use of such land resources. BRICs Crop Association aims at establishing a land borrowing-and-returning method so as to meet the needs of both sides. Still, to turn this idea into reality requires many researches and practice.

VI. The New Development Bank of BRICs provides new opportunity to China, especially Shanghai.

The New Development Bank of BRICs benefits China mainly from these two aspects:

Firstly, The New Development Bank of BRICs could help Renminbi (RMB), China's currency go global. Like trade that strengthens the cohesion of BRICs nations as mentioned, BRICs New Development Banks help establish a new platform for Renminbi going global. In practice, there are two means to realize this. One is the strategy of the Belt and Road initiative (the Silk Road Economic Belt and the 21st-Century Maritime Silk Road) which mainly focus on China's cooperation with underdeveloped or small nations. The other is the cooperation of BRICs

nations which is more practicable.

Secondly, The New Development Bank of BRICs is an indispensable instrument for China to have a greater say in the international financial sectors. Through the bank, the interests and concerns of China could be conveying to the globe. In most cases, we judge the current economic situation by the reports of the World Bank, IMF or OECD. These reports have long been stuffed with the voice of the west but rarely mentioned the economic development of developing nations. The New Development Bank of BRICs is expected to be a media for the China-led developing nations, adding weight to China's voice.

The New Development Bank of BRICs benefits China in three dimensions:

The first dimension is to promote government reform. In practice, the Chinese government has too much power, sometimes hampering the development of foreign banks. However, as for BRICS New Development Bank, the local government has to solve problems through communication and cooperation rather than manage it from the top down. To realize this, the government has to carry out take internal reform and adhere to market rules. For instance, Shanghai Free Trade Zone has already release such signal by merging work of Shanghai Free Trade Zone Administrative Committee and Pudong New District Government into one office. By this measure, the external pressure pushes government to carry out internal reform.

The second is to provide market and resources. Shanghai lacks market and resources which BRICs nations could just provide. For instance, increasing tourists from these nations come to Shanghai; economic and technological cooperation and exchange events happen more frequently and trade volume is expanding. It is also vividly illustrated by the transformation of Tilanqiao Prison into a diamond trade fair.

The last is to boost the construction of the international financial headquarter in Shanghai. The New Development Bank of BRICs will enter the Shanghai World Expo Park, which is conducive to the construction of Shanghai international financial headquarter, the functional maturation and business expansion of financial sectors and the gathering of financial talents.

Translator/ Hua Zhiyun

Introduction:

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Center for BRICS Studies of FDDI was established in 2012, the first interdisciplinary center for BRICS studies and talent development in China. It is in the meantime an academic institution for students and faculty in Fudan University to carry out BRICS researches and a think-tank to provide strategy consultancy for BRICS nations in global governance.

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