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The BRICS Mechanism as a Platform to Support Russian Interests in the Hostile Global Economic and Financial Environment

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ABSTRACT

The **purpose** of writing this paper is to show the changes that happened over the past two decades in the role of the BRICS economies in the world financial system and the world economy in general. **Methods.** Using comparative analysis techniques, the author shows the positions of the major centers of the global economy in terms of both their GDP numbers measured at official exchange rates and purchasing power parity. The **results** of this article include suggestions for the new world economic order, a reform of the world financial system, and the creation of a financial safety network for the BRICS during the period of rising global prices, key interest rates and debt. The **practical significance** of the paper is that its main conclusions and recommendations can be used when formulating strategies for further development of the BRICS cooperation mechanisms, such as the New Development Bank and a network of mutual currency agreements to support trade and investment within the BRICS as well as their partners.

Keywords: BRICS; New Development Bank; multilateral cooperation links; global governance; international sanctions; international competitiveness; new trade routes

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Механизм БРИКС как основа поддержки российских интересов в неблагоприятной глобальной экономической и финансовой среде

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АННОТАЦИЯ

Цель исследования заключается в классификации изменений, имевших место за последние два десятилетия и определении роли, которую страны БРИКС играют в мировой экономике в целом и международной финансовой системе в частности. На основе сравнительных данных в статье показаны позиции крупнейших центров мировой экономики по индикаторам валового внутреннего продукта по официальным обменным курсам и по паритету покупательной способности. **Результаты** исследования включают соображения о новом мировом порядке, реформе мировой финансовой архитектуры и создании сети финансовой безопасности стран БРИКС в период роста глобальной инфляции, ключевых процентных ставок и внешнего долга. **Практическое значение** результатов исследования заключается в том, что его основные выводы и рекомендации могут быть использованы при разработке стратегий дальнейшего развития механизмов сотрудничества стран БРИКС, таких как Новый Банк развития и сеть взаимных валютных договоров для стимулирования взаимной торговли, инвестиций как в рамках БРИКС, так и с основными странами-партнерами.

Ключевые слова: БРИКС; Новый банк развития; многосторонние кооперационные связи; глобальное управление; международные санкции; международная конкурентоспособность; новые торговые пути

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1. Introduction

As emerging economies gathered for the 14th BRICS Summit in June 2022, the global landscape vastly changed. With emerging economies being a powerful engine for global growth, the BRICS could facilitate a fairer world order. China's President Xi Jinping offered his answers to questions of the time during a keynote speech at the opening ceremony of the BRICS Business Forum.

With the 14th BRICS Summit opening, it is a good time to look at the history of this institution. When the Soviet Union dissolved in 1991, the United States became the only superpower in the world. In 1992, the American gross domestic product (GDP) in purchasing power parity terms was one-fifth of the global total, the largest among all countries. The newly formed Russian Federation took up some 3%, and China was slightly higher, accounting for only 5%. It was clearly a unipolar world. Things have been changing, most noticeably, as the United States and China have been following diverging trends. GDP comparisons using purchasing power parity (PPP) are arguably more useful than those using nominal GDP when assessing the domestic market.

The financial crisis of 2008 was a crucial turning point for the United States. Its importance in the global economy started to drop steadily ever since, but China's jumped, and India and Brazil also saw their share growing despite the crisis. The BRICS leaders held their first official meeting in 2009. China hosted the BRICS Summit for the first time in 2011 in Southern China's city of Sanya when the world was still reeling from the impact of the financial crisis. It was also the first time after South Africa joined the meeting. By then, the five countries accounted for some 27% of the global GDP and 40% of the global population.

The second time that China hosted the BRICS Summit was in 2017 in the Southern Chinese city of Xiamen. It was also around the time

when the Chinese GDP in PPP terms overtook that of the United States. The collective weight of the BRICS countries went further up to almost 29%, meanwhile, the share of the US economy continued to decline to some 16% of the world's total. It was at that summit that China first proposed BRICS Plus to invite leaders of five more developing countries to the summit.

Despite covid-19 and the global economic challenge, the overall weight of the five countries has kept rising. By 2020, the five countries accounted for some 30% of the global GDP. Now we have come to the year 2022, when the summit is being hosted by China again. The theme this time is to foster high-quality BRICS partnership ushering in a new era of global development.

Despite the pandemic, some twenty-six hundred people participated in the various meetings. With the emergence of the group of the BRICS of large economies or emerging economies, the issues and challenges faced by other emerging or developing economies could be understood better. Thailand is one of the countries that has been invited to participate in the BRICS Plus mechanism.

It must be noted that the BRICS was also one of the first multilateral groupings to come together to respond to covid-19 pandemic. President Xi Jinping also warned of worldwide disasters that could be caused by sanctions. Xi described sanctions as boomerangs and double-edge swords. He said countries that politicize and weaponize the global economy through their dominance would harm not only their targets but also others and themselves [1].

Because of the economic transition and covid-19, BRICS has shown relatively slow economic growth in recent years. Some trumpeted the theories of the BRICS as fading. However, in 2021 the GDP of BRICS countries totaled 24.6 trillion US dollars, with a yearly increase of 7.6%, higher than the global average growth rate of 5.5%, contributing an important force to the world economic recovery.

2. The analysis of the current environment for the BRICS cooperation to further develop the BRICS Plus agenda

For the first time in twelve years, the BRICS is expanding. The idea of expanding the bloc was raised in 2017, the last time China had a rotating chair. China's President expressed an idea of expanding the coverage of BRICS cooperation, delivering its benefits to more people, promoting the BRICS Plus Cooperation Approach and building an open and diversified network of development partnerships. People see the BRICS as a very attractive bloc, political bloc, and economic bloc. That is very positive. One of the characteristics of the BRICS is that they are large developing countries that face many similar challenges in different ways. They learn from each other's experience and face some of the same challenges.

The first BRICS Plus, Foreign Minister Meeting was held on May 19th, 2022. Nine interested countries from four different continents attended the event: Kazakhstan, Indonesia and Thailand in Asia; Saudi Arabia and the United Arab Emirates in the Middle East; Egypt, Nigeria and Senegal in Africa; and Argentina in Latin America. China's Foreign Minister said participating countries agreed to promote multilateralism and representativeness of developing countries in global governance, cooperation in the fight against the pandemic, supporting common development goals and building unity of the Global South. Egypt is the latest member joining the BRICS financing platform — the New Development Bank. Argentina is seeking closer development ties with China. For Argentina, it is a real opportunity to meet and participate in the new forum in which developing economies debate the Global South Agenda. That is important in terms of foreign policy. China has proposed standards and procedures for bringing in new BRICS Plus members. Together they can pave the path to innovative, coordinated, green, open and shared development to inject more positive energy into developing the world economy and promoting cooperation between all countries.

The idea of setting up the BRICS was to give a broader voice, a stronger voice, not only for these countries but also for all developing countries. That was a big element of setting up. The idea of BRICS Plus from the beginning was to create

a cooperation mechanism that would empower developing countries in their agenda, not only economic agenda but social agenda. That threatens not only the United States but Europe because at the G7 and G20, they are very allied regarding their agenda for developed countries.

We need a new world nowadays, especially since there are huge uncertainties and risks for the global order. The West views each international initiative led by China with suspicion or skepticism. The government of the United States says that China is the challenge, that China is going to replace the United States to lead the world order or challenge its leadership in the Pacific region. Therefore, the United States is seeking more cooperation with India.

India is a very important part of the BRICS. Prime Minister Modi said in his speech that India is the fastest-growing economy in the world, with a 7.5% growth rate. As a huge opportunity for investment, he mentioned 1.2 trillion dollars of investments financially in India, particularly in the economy's start-ups. India is the second-largest economy in the BRICS but the fastest-growing economy. For India, it is important to build trust in terms of the economic partnership of BRICS. That will lead to a greater BRICS. That leap will allow the BRICS to achieve certain models of resilience in health care, economic development, global co-work, climate change and other challenges they might have. India's economic interests in this economic grouping are critical and clearly strong. Therefore, India is closely connected to the BRICS.

The BRICS is entering the second phase of the group's development. When the BRICS started, it was planned that it would not have a formal institutionalisation meaning there would be no secretariat and a committee that would be going around different countries. Then they saw that they could create institutions in the future, so they decided to create the New Development Bank. It was expected that this institution would support the BRICS countries' development. The second phase then came with enlargement. Enlarging the BRICS needs a form of an international organisation. It is very clear that the BRICS will expand with candidates from Latin America, the Middle East and Africa. It is very important for the future of BRICS as a multilateral and cooperation mechanism.

At the very beginning, like other international organizations, the BRICS designed the structure

of the New Development Bank according to the member country's GDP value. However, the New Development Bank distributes according to the principle of equal contribution to the original capital as well as an equal discourse for all the members [2].

The New Development Bank is driven by the market, which means it operates based on market principles. So, according to this fact, it is a good trial for this kind of governance structure aimed at democratisation of international relations.

The BRICS is not a one-dimensional mechanism. It has three driving forces within the troika: politics, economics and communication. Many exist in those fields. For example, they promote the reform of global governance. Also, the BRICS has a university union. They have done a lot in global health governance. A lot of outcomes could be witnessed in the past few years. Therefore, one should look into the real contents, the actual efforts that BRICS has made so we could have a better and correct understanding of the data [3].

The BRICS aims to build partnerships in as many sectors and countries as possible. That explains why India is able to be in Western forums, as well as forums that bring Russia, India and China together, like the BRICS. Also, India chooses to be very specific on where it can benefit and where it can contribute. That explains that now in the post-pandemic world, the focus is very clearly on the resilience of the economy, and that is something that brings India further to the BRICS. India has met climate change, terrorism security, and all other areas. During the pandemic, China was developing unusually well, although all other countries brought negative things. It is a fast-growing economy. In economic and post-pandemic resilience, this has connectivity to the BRICS, which is all very important [4].

It is estimated that the BRICS will account for 50% of global GDP by 2030. However, this trend can be disrupted by obstacles such as the pandemic and possibly other economic uncertainties. We do not see this as being fought back, especially because in the next two years, we can expect the enlargement of the BRICS. So, BRICS will be more important in terms of economic growth. These meetings, especially this summit, are very important because we will discuss how the BRICS can help not only itself but also other countries in fighting for recovery after covid-19.

3. Analyzing suggestions for the new world economic order

China's President warns against expanding military alliances and weaponizing economic sanctions. Xi Jinping hosted the BRICS Summit attended by Vladimir Putin. The BRICS meeting took place against a complex geopolitical backdrop amid trade disputes between China and the US.

Xi Jinping called for coordination to prevent disruptions to the global economic recovery. It has been proven that sanctions are a boomerang and a double-edge sword to politicise, instrumentalise and weaponize the global economy and to impose sanctions by taking advantage of one's dominant status in the international financial and monetary systems. This will only end up hurting one's interests and those of others and inflict suffering on people worldwide. At the time, the world needs a blueprint looking more at long-term global warming; in the short term, they have to fight inflation. The world is probably about to experience a global recession. Xi Jinping is asking the BRICS to be the leaders, given that there have been defaults from the developed world. The general assumption was that the BRICS is an organization trying to chart its own path independently from the influence of key players. There is a feeling that the BRICS is moving towards supporting Russia. In that sense, one may get the impression that Russia will be a key actor and try to influence and strategically push the BRICS towards some kind of overall support. However, it is also essential that the BRICS countries realise the importance of where the global political arena is moving and the kind of implications we see regarding economic security and the kind of recession we are heading to in the global economy. All of the countries in the BRICS realise how important it is to try to stabilise this global political arena and the fact that the global development agenda and the overall global economic architecture are in a tailspin and have been very fragile and unstable at the moment [5].

On the other hand, the Americans widely believe that against this backdrop of the strained relations between the US and China, the Chinese are likely to use the bloc of BRICS to further advance their political agenda at the expense of the geopolitical interests of the United States of America. One would agree that this really should not be a new Cold War [6].

Each one of the BRICS is looking for its own daylight. The world is in crisis. Today a number one issue, even in developed countries, is inflation. People have the right to question their leaders. Right now, there is inflationary pressure due to a shortage of oil and food. The Federal Reserve of the US is pumping up the rates. That will not produce one barrel of oil or one basket full of wheat.

At the same time, in this geopolitical order, the West has been hoping to put more sanctions on Russia to pressure the Russian leader into political concessions. Now, when they see China and India trying to tap into this void by buying oil and gas at a cheaper rate from Russia, this is seen as a pushback against these sanctions by filling the coffers of the Russian budget. The West is trying to push countries into a particular kind of narrative and a particular trajectory. However, one might bring it back to Africa and the impact this situation has on the economies, including Africa's access to food and value chains, on commodity prices. The western approach is trying to deal with inflation through increasing interest rates and austerity measures. This approach is not working out.

With a combined population of more than three billion people and a combined GDP of more than 23 trillion US dollars, the BRICS has massive political and economic leverage. The BRICS could present itself as an alternative to the G7 or could be one of those blocs trying to mediate between the West and Russia, the West and the Third World. It is too soon to tell; however, because of our interconnectedness, we have got to come up with other resolutions to problems and sanctions that only go so far [7].

Since it was established in 2009, the BRICS has achieved strong economic growth in trade and investment. It went through the global financial crisis better than many other emerging economies. It also outperformed them during the monetary tightening by the Federal Reserve in the mid-2010s. It was mainly because of the absence of cohesion between the key members. For example, look at India and China. Both are members of the BRICS. They have been having challenging moments in recent history, and there seems to be no end in sight. But the issue right now is that both are about to agree. This is a situation where a lifeline is needed.

This is not about ideology. This is a question of life or death. We have already seen the devastating effects of climate change. It is adding to the food chain problems. India is having a difficult time. They thought that they could export wheat. Now it is unclear whether they might import wheat instead. That means that the prices are going to go up globally. The same thing is happening in the United States. These types of insecurities are important today. People cannot eat. They cannot live. They do not have energy. They cannot operate their economy. These are the things that have to be dealt with now. China has said they have a blueprint that has worked in terms of covid-19 and in terms of their economy.

In 2020 India and China were on the verge of a major military confrontation. There was violence on the border between the two countries. There is a prevailing sentiment among the Indians, for example, that China will always use a force such as the BRICS to advance its political and geopolitical clout further. India is open to the notion of expanding BRICS for the sole reason of diluting the impact of China. For example, China's attempts to internationalise the yuan have attracted the attention of Indian politicians who, in their turn, thought of using opportunities it internationalise the rupee. The Reserve Bank of India concluded that it is necessary to adopt a cautious approach to the internationalisation of the rupee due to the smaller size of India's GDP in contrast to China's, a smaller presence in world trade and partial convertibility of the national currency, as well as restrictions on current capital transactions. They also added that although the rupee claims to be an international currency, it needs a start in Asia, where the yuan has gained superiority over the rupee. Despite active interest in the internationalisation of the rupee, the Government of India and the central bank do not consider this goal a priority in the short and medium term [8].

The same is true about South Africa. It is a much smaller economy in many respects. However, it is a very important country for the BRICS in Africa. It can be a gateway for countries such as India and China to enter the vast labour market on the continent. Therefore, China, in particular, keeps investing in African infrastructure to gain much needed resources for the growing industry.

South Africa itself is considering opportunities of raising its strength in the region. One of the ways for it to do so is also through internationalisation of the national currency — the rand; however, its ambitions are very limited by the region. So, we can only talk about partial internationalisation or regionalisation of the currency. That is why Africa needs cooperation in the BRICS. And the BRICS is helping it through investments, know-how and technology [9].

China has fostered the engagement of many countries, including South Africa, and ushered in a new development agenda or paradigm. The challenge is that one cannot be exclusive anymore. One has to learn to be inclusive. That is the key for the BRICS.

By now, the BRICS has put aside the political differences between the key players. The most persisting issues, particularly high inflation and grain supplies, which have been disrupted, are widely seen as potential triggers of a prolonged recession in the future. Now is the time for the BRICS to reinvent itself to move forward and adapt to these new realities [10].

China and the US seem to be on a collision course because America has made this quite clear as far as their strategy is concerned. They see China as the biggest threat to stability and American interest in the near future. This could be something that could undermine the chances for the BRICS to thrive and stay together. What we have witnessed is a multipolarity in action. The United States is not calling the chance. The United Nations, the International Monetary Fund or World Bank would, in essence, dictate things or move things around or threaten. Now the US is talking about ideology when people need food. That will push their desire to have anti-entity, including the BRICS [11].

So, the BRICS could stand for something important in the future. It could be a saviour stepping in, providing food for the world. Today it is about multipolarity in the world and strengthening it. The BRICS demonstrates consistency in the theme and the narrative. It is also about strengthening the multilateral dimension, the United Nations and the World Trade Organization. The BRICS will be evolving. When it evolves, it is going to have different iterations. That will be key to stabilisation of the global arena, which is currently in a very vulnerable context [12].

4. Discussing recommendations for the reform of the world financial system and the creation of financial stability network

As a result of the transformations in the modern international financial architecture caused by the global financial crisis of 2008–2010 and the covid-crisis of 2020, countries such as the BRICS began to look for alternative ways to organize foreign economic relations with their trading partners in order to create stabilizing mechanisms of cooperation [13]. Gradually, with the growing US trade deficit with the rest of the world, there began the fall in the profitability of dollar deposits, the strengthening of the positions of new industrial countries, in particular Latin American and BRICS countries in the world market, the increase in US foreign debt and the crisis of international debt of developed countries in general. First of all, new investment funds of developing countries have appeared, which together surpassed the funds of the IMF and the World Bank in terms of volume. New, emerging financial centers have emerged, large gold and foreign exchange reserves have been accumulated, especially by the BRICS countries [14].

One of the ways of cooperation was direct trade and direct settlements in national currencies. BRICS countries became leaders among developing countries. Their role in the global economy is determined by competitive advantages, which consist of factor endowments (Brazil, Russia, South Africa), domestic demand and market capacity (India and China), advanced factors of production in the form of high technologies, highly intelligent workforce and specialists of the rarest professions (India and China), the presence of related industries and types of production, concentrated in the form of clusters, which at a certain stage of development form a global factory (China), as well as a high potential of financial liquidity, used to create various funds for expansion into foreign markets [15].

During the first decade of the 21st century, the BRICS countries significantly increased GDP, exports, foreign investment, gold reserves and sovereign-wealth funds. As for qualitative development, there remains a significant gap between the BRICS countries and the G7 countries. This lag was especially evident during the global financial

crisis when the BRICS countries faced the need to finance government spending to overcome unemployment, falling rates of industrial production and exports, gold reserves depletion, national currencies devaluation, budget deficits and trade deficits. Borrowings were required from the IMF or the World Bank [16]. However, the quotas and voting rights of the BRICS countries are not large enough to solve the problems, which raised the question of the possibility of increasing quotas and voting rights in favor of the BRICS countries. The competitiveness of a country largely depends on the volume of allocated financial resources since significant investments are required for the development. During the global crisis, the vast majority of loans from the IMF were received by developed countries, as a result of which the gap between rich and poor countries grew. The gap between developing and developed countries has thus become more noticeable. In this regard, there is a need for approaches that would allow developing countries in general and BRICS in particular to maintain a high level of financial stability. Following the model of the G7, the BRICS countries, especially China, began to conclude swap agreements between central banks and then to create international and regional financial organizations operating on similar principles as the IMF or the World Bank [17]. Thus, the New Development Bank of the BRICS, the Asian Infrastructure Investment Bank, the Reserve Anti-Crisis Fund, etc., have emerged, and the foundation for the future debt securities market in Asia has been laid out. These organizations, together with swap agreements, led to the emergence of the financial stability network of the BRICS countries and other developing countries as a parallel analogue of the existing network of developed countries. These organizations collectively are known as “financial minilateralism”. Its essence goes down to the formation of the BRICS countries’ parallel multilateral monetary, financial and other economic institutions, which complement the activities of the IMF, the World Bank, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), etc. [18]. They are created to form parallel financial security networks of developing countries that do not have large quotas in the IMF and the World Bank for obtaining development loans. Financial minilateralism is an agreement of a limited number of countries on the creation

and operation of small, highly specialized financial institutions, whose activities are aimed at financing mainly infrastructure projects and projects for the development of mineral deposits in developing countries when the IMF or the World Bank does not provide the necessary assistance since those countries do not meet their criteria [19].

The participation of many Asian and South American countries in financial minilateral agreements and organizations is considered by some researchers as a trend of currency polycentrism. The program and agenda of the policy stimulating the internationalization of the BRICS currencies should focus on decentralizing approaches to managing currency risks at the corporate level of the financial and non-financial sectors for the development of mutual transactions through national accounts. Initiatives, such as the agreement on Contingent Reserves and the BRICS New Development Bank can also create opportunities for the circulation of currency risk-hedging instruments during global financial stress [20].

The position of Russia in the modern world monetary and financial system is determined by the following main events. First of all, in 2006, the ruble became a fully convertible currency. In 2013, the ruble began to circulate on the foreign exchange market based on a free float regime. As a result of these two events, the offshore market of forwards without the delivery of the ruble was integrated into the national currency market of Russia. Therefore, unlike the currencies of other leading developing countries of the world, ruble non-deliverable currency forwards have the smallest share, for example, among the BRICS countries in the global offshore forwards market. The rapid integration of the offshore and national currency markets of the ruble coincided with a period of serious foreign economic challenges for the Russian economy. This period is divided into two stages. The specificity of these two stages lies in the fact that the second of them began within the first and continued to operate after its completion. The first stage, from 2013 to 2020, was characterized by the monetary tightening of the central banks of the leading countries of the world. Corona-crisis 2020 forced the developed countries to return to the program of actively expansionist policies to stimulate the economy and overcome the crisis. Meanwhile, from 2014 to the present, Russia, in addition to such an aggressive foreign economic

environment and the conjuncture, has been forced to face international sanctions. Both, coupled with the regime of free-floating of the ruble exchange rate, were accompanied by sharp jumps in the currency and assets in the stock market, which led to the devaluation of the national currency, a sharp reduction in trade surplus, a fall in budget surplus, the threat of a permanent budget deficit, rising prices, falling living standards of the population, the need to carry out unpopular reforms of the pension system and taxation. China, on the other hand, used a gradualist approach to internationalizing the yuan through bilateral agreements with global offshore currency centers. China has strict internal controls on the current account and capital transactions. At the same time, the Chinese authorities allow the operation of a pool of offshore yuan currency instruments that can be freely traded and put into circulation. Due to this, China continues to show positive dynamics of GDP, trade and balance of payments, investments abroad, and increasing the welfare of society in the context of international sanctions, trade conflicts and the corona-crisis. The Chinese approach to the exchange rate policy and the international circulation of the national currency creates conditions due to which the main share of currency and financial risk is shifted to investors and speculators. Because of the Russian approach, a significant share of risks is hedged at the expense of the resident taxpayer. Russia has been pursuing the implementation of its approach for quite a long time. It was even unlikely that it could abandon it in early 2022. However, the special military operation and the new sanctions that followed changed everything. Just like in the 1990s, the Russian ruble started to fluctuate within specific borders known as the currency corridor. If this is a policy that aims to increase the international competitiveness of Russia, then it creates a depressive effect on innovation, entrepreneurship and consumption, which has a destructive effect on the formation of competitive advantage [21].

Although the Russian approach creates favorable conditions for faster internationalization of the currency, the ruble has a much smaller share in international circulation, reserves and liquidity than the yuan. The further effectiveness of the implementation of these approaches will largely depend on the degree of freedom of currency transactions carried out at the offshore and domestic exchange rates.

Expanding access to the national markets of currency, risk-hedging instruments for foreign investors, and the corresponding offshore markets for residents is one of the necessary conditions for improving the effectiveness of currency-risk management when purchasing BRICS currencies [22].

Among the group of leading countries in Latin America and Southeast Asia, there are interesting examples and experiences of reducing pressure on the national currency and the national currency market. Particular attention is drawn to the expertise of Brazil and Indonesia, which is recommended for application by the Bank of Russia to minimize the risk associated with the volatility of the national currency market.

During the period of rising interest rates and monetary tightening in the 2020s, the central banks of the developed countries began to issue a special type of derivatives for hedging currency risks, namely, national non-deliverable currency forwards, to slow down the effects of negative externalities. Until now, non-deliverable currency forwards in offshore centers have been widespread. National non-deliverable currency forwards are expressed in the national currency, and transactions in them are carried out on the national market within the jurisdiction of the issuing country. This is their fundamental difference from offshore forwards expressed in US dollars. Unlike national forwards with currency delivery, in the case of non-deliverable forwards, the entire nominal volume is returned by the time of the contract's expiration, regardless of profit or loss, i.e., net clearing of transactions.

National non-deliverable currency forwards were issued and used for the first time by the central bank of Brazil as an instrument of currency intervention. In Asia, national non-deliverable currency forwards are used only in certain volumes in Indonesia as a monetary policy tool, while transactions on the secondary market are under development. The Central Bank of the Philippines has a tool in the form of national non-deliverable currency forwards, but it is used very rarely.

The policy of the central bank when issuing national non-deliverable currency forwards is as follows: first of all, it is an intervention tool without using reserves in foreign currency. Since these derivatives are denominated in the national currency, a short position on the dollar in the case of national non-deliverable currency forwards

does not imply the presence of a collateral asset denominated in dollars on the balance sheet of the central bank issuing this currency. Secondly, national non-deliverable currency forwards contribute to suppressing the demand for currency in the spot market or the forwards market with currency delivery (US dollar) by providing commercial banks with an alternative to hedging currency risk on short positions in US dollars. Thirdly, these contracts form another instrument of monetary policy — intervention, in which the central bank sets exchange rate signals. Although national non-deliverable currency forwards are not comparable to foreign currency reserves, large short positions in US dollars can create a very high risk for the central bank. If the parties to the transaction decide not to close positions on national non-deliverable currency forwards before the closing date of the contract and instead purchase US dollars on the spot market or the forward market with currency delivery, then the problem of devaluation of the national currency is aggravated. Losses from national non-deliverable currency forwards can have a negative impact on the reserves and other funds of the central bank. For commercial banks, investors and corporations, national non-deliverable currency forwards cannot act as perfect substitutes for instruments with currency delivery or non-deliverable currency forwards on offshore markets. For example, corporations may have a future demand for the US dollar, so they prefer a contract with direct delivery of the currency. The risk associated with currency convertibility matters because national non-deliverable currency forwards are expressed in the national currency at the time of contract execution. In the case of Brazil, the problems of repayment of these contracts led to an increase in the discount rate on national non-deliverable currency forwards compared to offshore non-deliverable currency forwards.

5. Conclusion

The 14th BRICS Summit in 2022 was supposed to foster partnerships within the bloc to bring in a new period for global development. First of all, Xi Jinping attended the opening ceremony of the BRICS Business Forum and delivered a keynote speech. The organiser of the forum, the China Council for the Promotion of International Trade, said the forum served as an open plat-

form for enhancing trade and promoting world economic recovery. According to the Council, more than 1,000 officials, diplomats and business representatives from eighteen countries participated. Businesses from thirteen countries worldwide were engaged. Most business participants are world-renown enterprises, including forty of the world's top five hundred companies that cover the areas of energy, finance, aviation, manufacturing, transportation and emerging industries such as big data, e-commerce and new (or green) energy.

Considering the current world challenges such as rising inflation, covid-19 and some regional conflicts, experts believe that business owners, and stakeholders worldwide wanted to see this forum as an important open platform to strengthen cooperation and boost global recovery [23]. The summit looked at a partnership with high-quality and high-level dialogue on global development. The dialogue focused on implementing the 2030 agenda for sustainable development, and BRICS leaders and leaders of other emerging markets and developing countries attended the event.

It is nearly sixteen years since BRICS was founded to promote peace, security, development and cooperation among the five major emerging economies of the world. Through the years, it has become more inclusive. It gave other developing economies more representation. The strategic cooperation proposed solutions for developing economies. This became evident as the race of the world dealt with shockwaves from the global financial meltdown that began in the US in 2008.

The first summit in Yekaterinburg in June 2009 focused on promoting reforms in international financial institutions, including greater representation of emerging markets in these institutions. The four nations suggested a new reserve currency to break away from perceived US dominance. The leaders also adopted a joint statement on global food security. In 2010, South Africa was invited to join. A few years later, BRICS expanded representation among a particular region's developing nations. Where the BRICS Summits took place, leaders from countries of the region of the host nation were invited for dialogue. This was known as the BRICS Plus Mechanism.

In July 2014, at the summit in Fortaleza, Brazil, the BRICS held a dialogue with leaders from South America. BRICS cooperation carried not

only expectations from the people of the BRICS countries but also those from emerging markets and developing countries. So, when China held its chairmanship in 2017, the dialogue held on the sidelines of the summit was upgraded to the BRICS Plus, indicating the inclusion of other developing countries worldwide.

The BRICS countries are an influential force in the global economy, accounting for 25% of world economic output in 2021. Since the first summit in 2009, two of its members, India and China, have risen in the rankings of the world's largest economies. As of 2021, India is now the sixth largest, and China is second, and it is soon expected to overtake the US. The BRICS is a constructive mechanism for developing economies seeking a bigger role in improving global governance and getting interest on the world stage. After sixteen years, the BRICS countries have become an effective cooperation mechanism for emerging markets and developing countries with global influence.

BRICS has become an economic powerhouse for the entire world. Over the past decade, the BRICS countries witnessed rapid economic growth and became super-sized economies. From 2012 to 2021, the GDP of BRICS countries grew at an average annual rate of 5.1%, 2.1 percentage points higher than the global average. Economic and trade ties between the BRICS countries also came closer. In 2021, trade in goods among the BRICS countries exceeded a record 500 billion US dollars for the first time. In 2021, their combined GDP was nearly 24 trillion US dollars, significantly bigger than eight percent in 2001 when the BRIC acronym first appeared. The BRICS now accounts for a fifth of global goods' trade and foreign direct investment. The five countries have maintained close cooperation, even during the pandemic.

In terms of investment, the New Development Bank was founded mainly for infrastructure projects in the BRICS countries in 2014. So far, the New Development Bank has allocated around 30 billion dollars to over eighty projects. The macroeconomic stability of BRICS countries fostered global recovery and remained a major growth driver for the global economy.

We look back on how China cooperated with the BRICS over the last five years. At the 9th BRICS Summit, which China hosted in Shanghai in 2017, President Xi Jinping pointed out that economic

cooperation was the foundation of the BRICS mechanism. With this focus in mind, we should implement the strategy for BRICS economic partnership, institutionalise and substantiate cooperation in various sectors and continue to enhance this. That year China also pledged more than 76 million US dollars for a BRICS economic and technology cooperation agenda.

In November 2020, in the midst of battling the coronavirus pandemic, the five nations reiterated their resolve to jointly address macroeconomic shocks by adopting the BRICS strategy 2025. The strategy defined guidelines and priorities of cooperation in trade and investment and embraced digital transformation to raise economic competitiveness.

The role of the BRICS New Development Bank gained prominence. The projects cover sectors ranging from transport to clean energy, such as Putting Ping Hai Bay, an offshore wind power project in China; renewable energy projects in Brazil and metro railways projects.

In 2021, the BRICS New Development Bank expanded its membership to include the United Arab Emirates, Uruguay and Bangladesh. In May 2022, BRICS foreign ministers invited their counterparts from other emerging market nations, including Argentina, Saudi Arabia and Indonesia. As the coronavirus raged due to new variants, China pushed for long-term research and development in combatting covid-19. In 2021, Chinese biopharmaceutical company Sinovac established a national centre as part of the BRICS vaccine research and development centre in an effort to narrow the vaccination gap.

In the field of security in 2021, the group finalized a counter-terrorism plan which designated high representatives from each member nation to review the implementation of BRICS efforts to combat terrorism. Cooperation in the BRICS also extends to people in cultural exchanges. Xi Jinping proposed Global Development Initiative (GDI) in 2021 at the UN Assembly. This initiative may help the mechanism of the BRICS countries. This is a very important moment and a very important initiative. It is about unilateralism. The development-oriented initiative should be the priority. The development must be people-oriented and inclusive.

To further strengthen the positions of the currencies of the BRICS countries and the cor-

responding new currency centers of the world monetary and financial system, it is recommended:

1) to organize direct trade in national currencies with the countries of the Eurasian Economic Union, Shanghai Cooperation Organization and others, primarily with those whose imports are dominated by the products of the BRICS countries;

2) when creating regional exchanges for trading the national currencies of the BRICS countries, the currency regulatory authorities need to take into account the experience of Russia and China, which have already started trading in the yuan and ruble in 2011;

3) for direct trade turnover between the BRICS countries, the potential value of cross-border trade in goods should be taken into account, which can serve as a guideline when forming a plan for

their wider use in foreign economic transactions. This value allows us to estimate the limit above which, under the current currency restrictions, the government cannot enter into foreign economic transactions with the currencies of the BRICS countries due to national security issues and monetary policy independence.

Taking into account the successful experience of the central bank of Brazil and India, the Central Bank of Russia could, during the period of adaptation to the consequences of the 2020 corona-crisis and the new wave of Western sanctions, use currency risk hedging tools, i.e., national non-deliverable currency forwards, which would minimize capital outflow during financial shocks, as well as pressure on the exchange rate on the national currency market.

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