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Note

Russia and the annual presidency of the BRICS 2020 ***Opportunities for new strategies of global cooperation and development***

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Introduction

In 2020 Russia assumed the presidency of the international coordination of the BRICS states (Brazil, Russia, India, China, South Africa). An important assignment for the delicate problems which have largely been already clearly outlined in the summits of previous years. Among these problems, the main ones are: a) the contribution by the BRICS states to the correction of the current global development model to promote a different growth process, more fair and sustainable and actively participated also by emerging and developing countries; b) the strengthening of the cooperation between the member states of the coordination already started in the most diverse areas of activity as evidenced by the numerous sectoral agreements signed in the first decade of its life; c) the accomplishment of major economic and infrastructure development projects, regional and interregional, in the Eurasian area, in African and Latin American continent; d) the expansion of the collaboration area between the group of the five BRICS states and external states, according to the "BRICS Plus" strategy on expanding the coordination to new member states approved in 2017 at the IX summit in Xiamen (China) , confirmed in 2018 by the X summit in Johannesburg (South Africa) but slowed down in 2019 on the occasion of the XI summit in Brasilia (Brazil). The analysis of the documents approved in the numerous meetings that normally precede and follow the summits of the heads of state and government as well as of the Final Declarations approved on such occasions, offer a truly impressive and positive picture of the will expressed by the coordination to work together to promote common interests and at the same time strengthen multilateralism at the international geopolitical and geoeconomic level.

1- Orientations and opportunities of the Russian BRICS chairmanship 2020

In the year of its chairmanship, Russia chose the following title for the XII 2020 summit, scheduled for July in St. Petersburg: "*BRICS Partnership for Global Stability, Shared Security and Innovative Growth*". In preparation for the summit and as a result of the same, a program of about 150 events has been announced: generally, these are meetings and sector forums at the level of government representatives (ministers, vice ministers, sherpas) operators and experts. From the statements made by President *Putin* during 2019, it is clear that the Russian presidency directs its preference on the

issues of shared economic development, thereby following a similar orientation, and related joint commitments, which emerged in the previous XI summit held in 2019 in Brasilia which put the economy at the center of the most important reflections and decisions. “The more frequent use of unfair competition methods in global trade - President *Putin* said at the closing ceremony of BRICS Business Forum in Brasilia (Brazil) on November 14, 2019 - as well as unilateral sanctions, including politically motivated sanctions and rampant protectionism, have undoubtedly impacted the economy. In these conditions, BRICS countries have to exert serious efforts in order to ensure the development of their own economies, and to prevent an aggravation of the social situation and a decline in living standards and the well-being of our countries’ citizens”. Hence the basic choice: “We will prioritize matters of further expanding intra-BRICS trade and investment collaboration. First of all, we are planning to propose that BRICS countries update the *Economic Partnership Strategy*, which was adopted at the 2015 summit in Russia. It would be appropriate to think what new goals our association should set, and what truly large-scale joint tasks in trade, finance and investment we should focus on”.

Then follows the indication of the pursuance of shared actions in numerous specific sectors: “We are promoting industrial cooperation within BRICS and creating modern technological and investment alliances, primarily in science-intensive spheres. One of the positive examples of this cooperation is the joint implementation together with our BRICS partners of projects in aircraft and rocket manufacturing, healthcare, pharmaceuticals and space exploration. There is potential for building up our interaction in the field of ICT...- for - ...new achievements in electronic document management, search systems and antivirus software, which meet the highest data security requirements...- for - ...launching a data exchange system for small and medium-sized businesses within BRICS”. A specific sector referred to very clearly by President *Putin* is that of energy: “The energy sector is one of the high-priority cooperation spheres for our five countries. Russia ensures reliable fuel and energy deliveries to global markets and makes a substantial contribution to maintaining global energy security, without which it would be impossible to ensure economic growth and social development”. In this area, President *Putin* added, “I must also point out that Russia has the most advanced, cleanest and safest civilian nuclear technology. We are successfully expanding cooperation in this area with our BRICS partners, primarily the People’s Republic of China and India. We can offer mutually beneficial nuclear power industry projects to all other BRICS countries as well”.

In a side meeting of the XI Summit 2019 in Brasilia, between the Heads of State and Government, the managers of the *New Development Bank (NDB)* and the members of the *Business Council*, President *Putin*, after stressing that these meetings “have become a good tradition. They represent a useful format of direct communication between the leaders of the Five and the business community”, recalled the importance of the NDB bank's role in supporting investment projects presented by each of the BRICS states and in the dissemination of the practice of using local currencies in project financing; a bank, it should be remembered, that with the opening of its regional branch in Russia in the first half of 2020 and subsequently in India, will further strengthen its active and direct presence in the realities of each of the BRICS states. “It is important - the Russian president stressed - that the investment project portfolio of the New Development Bank continues to grow and has already exceeded \$12 billion, with seven of 44 approved projects being implemented in Russia. They include very important projects for us, such as building small hydroelectric power plants in northwest Russia, in Karelia; an oil refinery in Tobolsk, Siberia; projects to upgrade the water system and infrastructure in several Russian cities; and the development of the Russian court system (including building new court houses and introducing advanced information technologies in legal proceedings). I would like to propose increasing the share of BRICS national currencies in project financing as my recommendation for the bank’s further work. This would not only add weight to our currencies as an alternative

for international payments in the global economy, but also help to avoid additional risks and expenses in mutual payments”.

President *Putin* therefore openly recognized the importance of the role played by the *Business Council* in supporting the BRICS development policies: “The Council really helps fill BRICS economic cooperation with specific projects and initiatives in trade, investment, industry, finances, science and technology. Related Business Council working groups – on infrastructure, production, finances, energy and the green economy, personnel policy, agriculture, deregulation, regional aviation and the digital economy – have earned positive reputations. I would like to thank the members of the Business Council for yet another detailed report with recommendations on developing cooperation between states and the business community. We will of course study them attentively and will certainly consider them during the Russian Presidency of BRICS in 2020 when determining key areas of cooperation in our association”.

Particularly important is the recommendation made by President *Putin* to the use of local currencies in financing investments as a choice aimed at building an *alternative* in the current international payment system and also linked to the reduction of *risks*. In fact, with these words, the Russian president recalled one of the main strategic objectives of the BRICS coordination: to promote the organization of a new international monetary system, no longer focused on the dollar, but based on a new agreement, a new Bretton Wood, that refers to a *basket of coins* with the progressive involvement and use of all the main national and regional currencies; a basket which also includes BRICS currencies together with the dollar, the euro and other important currencies. With reference to this strategic objective, therefore, the tendency of the BRICS to use the national currencies in their agreements for exchanges and investment policies assumes a great importance. For many reasons: that of preserving monetary sovereignty by avoiding the intermediation of the dollar, which could also be the cause of monetary instability and economic destabilization; to test the new system by certifying, in the interest of the BRICS, that it can function effectively and without problems; to demonstrate to other countries, first of all to the member states of the European Union, that it is possible to promote new agreements and organize a new monetary system, more appropriate to the current international economic situation. The call made by the Russian president to the reduction of "risks" in the payment system also has great value because in the XI summit held in Brasilia (Brazil) in November 2019, the BRICS leadership has shown to have a full awareness of the risks of a possible, new, serious international economic and financial crisis. In their analysis of the general economic situation, the BRICS, unlike the most recent meetings where they expressed appreciation for the global economic improvements underway and for a certain stability acquired, in the Brasilia Final Declaration instead affirmed a strong concern about the stability of the global system.

“Since our last meeting - they state in point of commitment n.23 of the Declaration - global economic growth has weakened, and downside risks have increased. Trade tensions and policy uncertainty have taken a toll on confidence, trade, investment and growth. In this context, we recall the importance of open markets, fair, just and non-discriminatory business and trade environments, structural reforms, effective and fair competition, promoting investment and innovation, as well as financing for infrastructure and development”. “We stress - they add - the need for greater participation of developing countries in global value chains”.

In this regard, it should be remembered that the coordination of the BRICS states was born precisely in response to the great financial crisis and the consequent general economic recession of the first decade of 2000; in addition, that at the end of 2019 the analyzes highlighted an international situation relating to financial markets and debt bubbles (aggregate global, public and private debt), with data and trends far more negative than those of ten years ago. To get an idea of the seriousness of the situation that has arisen in recent years, and which continues to persist, the

summary framework presented recently by an Italian expert, *Paolo Raimondi* and discussed in Rome, at the IX Meeting of the BRICS Laboratory of Eurispes institute held on 13 December 2019 at the Italian Ministry of Foreign Affairs.(see Annex No. 1)

It is with reference to this global economic and financial situation, defined as "complicated" by President *Putin* (2019), that the Russian BRICS 2020 presidency confirms and continues to follow the prevailing orientation already emerged with the Brazil BRICS presidency during 2019 and accentuates the commitment even more to economic cooperation, favoring actions shared between the member states of coordination in the most diverse sectors of activity, with preference for actions to promote the real economy and referring to a strategic document, a new *Economic Partnership Strategy*, which will be reworked, always with a perspective up to the year 2025, and approved at the XII St. Petersburg summit in July 2020. Of particular interest for the strengthening of economic cooperation are two specific proposals, very concrete and practical, that Russia intends to include in the program of meetings scheduled for the 2020 presidency. One proposal concerns the definition of a unified model of arbitration body, a *Single Arbitration Center* which will allow the entrepreneurs of the five BRICS states, and those of the developing countries connected to them, to resolve their possible disputes within the reality of the five states without having to resort to the jurisdiction of the north western states (to be precise, let's not forget that Brazil, a member of the BRICS, is in all respects a western state). The project was discussed and approved by the Legal Forum working group in the meeting of 14-16 October 2019. The second proposal concerns the creation of the institution of a *Single Economic Operator*, a reference tool to facilitate as much as possible the actions related to development and investment plans. The proposal was announced by the Russian deputy finance minister, *Sergei Storchak*, on the sidelines of the meeting of finance ministers and central bank presidents of the BRICS countries, held in Washington in October 2019. (TASS, 18 October 2019).

The choices relating to the implementation of these policies refer to two fundamental elements that have characterized the overall strategy of the BRICS for a long time: a working method called "pragmatic cooperation" and the "non-exclusivity" of policies and development plans to the BRICS states area only.

2 - The “pragmatic cooperation” of the BRICS states

To understand the value of this approach in strengthening their international cooperation, it must be remembered that the member states of the BRICS coordination present great differences between them in terms of interests and geopolitical perspectives, development trends, internal economic and social conditions. The differences are also accentuated by the lack of territorial contiguity and by the ideological choice to base the BRICS coordination on the full respect of the national sovereignty, territorial integrity, independence, unity and sovereign equality of the nation-states, on the protection and enhancement of the identity of its member states, intended as a positive condition to stimulate knowledge and mutual exchange between states that are so different from each other and to enhance the original contribution of each of them to common experience. In summary, we are faced with an ideological-cultural model of the BRICS that can be defined as a sum of national identities, not an integration / cancellation of the same. In this context of accentuated diversity and ideological choices, pragmatic cooperation between the states of coordination has been identified and chosen as the most appropriate tool for the carry out of common policies and programs. The reference to the value of this kind of cooperation is often found in the official documents of the BRICS, starting with the official declarations of the summits.

An exhaustive explanation, for example, was provided by the President of the People's Republic of China *Xi Jinping* in the opening speech of the IX BRICS 2017 summit in Xiamen, China."With an

emphasis on the theme of the summit, "*Stronger BRICS partnership for a brighter future*", - the Chinese president states - I am looking forward to collaborating with you to evaluate BRICS cooperation, draw up a plan for future development and launch a new journey in cooperation. BRICS cooperation has gone through a glorious decade. Although separated by mountains and oceans, our five countries are closely linked by a shared commitment to successful cooperation. As an ancient Chinese proverb says, "collaboration forged with the right approach challenges geographical distance; it is stronger than glue, metal and stone". We owe the rapid development of BRICS cooperation to the adoption of the right approach. Guided by this approach, we respected and supported each other in following the development path suited to our respective national conditions; we have pursued economic, political and peoples cooperation with an open, inclusive and winning spirit; and we have worked in harmony with other emerging and developing countries to support international justice and equity and to promote a healthy foreign environment. Past progress shows that BRICS cooperation has met our common need for development and is in line with the development of history".

The Chinese President then further specified the features and areas of intervention of the BRICS cooperation: "First of all - President *Xi Jinping* continues - we must seek practical results in our economic cooperation. Results-oriented cooperation is the foundation of BRICS cooperation and significant progress has been made in this area. However, we still need to fully exploit the potential of BRICS cooperation". And again: "We must remain focused on promoting results-oriented economic cooperation and widening converging interests in trade and investment, currency and finance, connectivity, sustainable development, innovation and industrial cooperation Together we must seize the historical opportunities of the new industrial revolution, explore new areas and models of practical cooperation and improve our links to ensure sustained and constant progress of the BRICS cooperation mechanism ". Finally, the closing statement by President *Xi Jinping*: "The last decade has seen the relentless efforts of the BRICS countries to pursue development and deepen the partnership. It is only the beginning of the history of BRICS cooperation. As I said in my letters earlier this year, looking ahead, BRICS cooperation is set to achieve greater development and play an even bigger role in international affairs. Let's start from Xiamen and join forces to inaugurate the second "Golden Decade" of BRICS cooperation by offering greater benefits to the peoples of our five countries and around the world ".

In the Final Declaration of the IX Summit 2017, under commitment point n.6, explicit reference is made to the value of "practical cooperation": "We will energize our practical cooperation to boost development of BRICS countries. We will, inter alia, promote exchanges of good practices and experiences on development, and facilitate market inter-linkages as well as infrastructure and financial integration to achieve interconnected development".

Another explicit reference to what, in this case, is defined as "pragmatic cooperation" can be found in the commitment point n. 2 of the Final Declaration of the XI Summit 2019 in Brasilia (Brazil): "As leaders of vibrant nations, we reaffirm our fundamental commitment to the principle of sovereignty, mutual respect and equality and to the shared goal of building a peaceful, stable and prosperous world. These concepts, values and objectives provide a solid foundation and clear guidance for our mutually beneficial and pragmatic cooperation. Building on the work of successive summits in the pillars of economy, peace and security and people-to-people exchanges, we will continue to strengthen BRICS cooperation for the benefit and welfare of our peoples and enhance the traditional ties of friendship amongst our countries".

It is just this pragmatic cooperation that allowed the BRICS to consolidate their coordination over time and in particular to promote the definition and signing of a large number of sectoral international cooperation agreements (40 specific agreements have been registered so far) in the

most diverse areas such as: economics and finance, work and social policies, education and culture, environment and energy, demography, urban development, communication, young people. Agreements, it is necessary to add, followed for the most part by the launch of concrete programs and actions.

In any case, one point remains to be clarified: how the BRICS' pragmatic cooperation can be reconciled with the general strategic goal, in this case a political goal, of operating for a Global South Agenda, for a Global South-South, according to the most expressions used in official documents. In this regard, authoritative Italian experts, *Elisabetta Basile* and *Claudio Cecchi* (2019), recently stressed that the substantial pragmatism of coordination can certainly be useful in "limiting the impact of international and internal constraints". But on the other hand, "the prevailing of a pragmatic attitude is inevitably associated with the downsizing of the political project that has accompanied the growth of the role of the BRICS from the establishment of the coalition onwards. Being intimately connected to economic and political dynamics, this downsizing could be cyclical and not permanent. However, it reveals some critical issues that will inevitably mark the future path of the coalition".

3-BRICS and the open nature of their economic cooperation

Regarding to the non-exclusivity of economic cooperation in the BRICS area alone, President *Putin*, in a press conference 2019, was very explicit: "we have never committed to working exclusively with each other. BRICS is not a self-contained closed organization". (Kremlin.ru, Nov. 14 2019).

As demonstrated by the previous summits, numerous regional organizations and non BRICS national states, especially from the Eurasian and African reality, have always participated in important collateral meetings in which the possibilities of their involvement in sectoral and territorial development programs have been evaluated. As *Yaroslav Lissovlik* recalls, in a paper from the Valdai Discussion Club 2018, "Back in 2013 it was precisely South Africa that launched the first outreach exercise with respect to its regional partners in Africa", an exercise practiced in the following years that found an outlet in the approval of the BRICS Plus strategy which took place in 2017 with the IX summit of Xiamen in China. *Yaroslav Lissovlik* reconstructs a comprehensive picture of past experiences. "The BRICS outreach exercises at the very outset were framed in a regional context, with all core BRICS members inviting their regional partners to take part in the BRICS summits throughout the 2013-2018 period:

- 2013 South Africa: Durban BRICS summit – the outreach exercise is launched. Attending the outreach were the Chairperson of the African Union, the Chairperson of the AU Commission, African Leaders representing the eight Regional Economic Communities.
- 2014 Brazil: during the Fortaleza summit in Brazil the outreach meeting brought together the BRICS and leaders of UNASUR, the Union of South American Nations which includes members of the MERCOSUR as well as a number of other countries in South America.
- 2015 Russia: at the 7th BRICS Summit in Ufa, Russia, the outreach incorporated the Shanghai Cooperation Organization (SCO) as well as the Eurasian Economic Union (EAEU).
- 2016 India: Goa BRICS summit – the outreach was attended by the heads of member states of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), an international organization of seven nations of South Asia.
- 2017 China: Xiamen BRICS summit – a major innovation takes place, whereby China launched the BRICS-Plus arrangement, which involved the invitation of the leaders of Egypt, Guinea, Mexico, Tajikistan, and Thailand. The novelty of China's approach was to transcend the regional approach rendering the cooperation with other developing countries transcontinental/trans-regional in scope.

- 2018 South Africa: building on the innovations of China, South Africa opted for a synthesis of regional outreach approach and the diversified BRICS Plus approach that became focused on various regional integration groups of developing countries – in particular the countries invited to take part in the BRICS Plus exercise included:

- Argentina (as Chair of the G20 and influential MERCOSUR member),
- Indonesia (as Co-Chair of the New Africa-Asia Strategic Partnership with South Africa and influential ASEAN member),
- Egypt (as Chair of the G77+China),
- Jamaica (as incoming Chair of CARICOM),
- Turkey (as Chair of the OIC”.

These are important initiatives of extended dialogue and collaboration with the main organizations and states of emerging and developing economies aimed at building a system of relationships necessary to allow the BRICS to achieve their two main strategic objectives: a) the geo-economic objectives, relating to the correction of the current global development model, too unbalanced and unsustainable, and b) the geopolitical objectives, relating to the strengthening of multilateralism in the system of international relations. Based on this process of repeated, extensive, extended collaboration started in 2013, prof. *Yaroslav Lissovlik* comes to formulate the following hypothesis: “Further innovations along the BRICS Plus road may involve progression to forming a unified platform of regional integration arrangements that featured in the outreach activities of the past 5-year cycle of BRICS summits. Such an aggregation of regional arrangements from the past summits for each of the BRICS members would then feature the African Union (AU), MERCOSUR (given the difficulties experienced by UNASUR), the Eurasian Economic Union, the Shanghai Cooperation Organization as well as BIMSTEC”.

The Valdai Discussion Club goes so far as to define a new acronym for this hypothesis of emerging reality: “Altogether the resulting acronym – BEAMS – among its several meanings is suggestive of the role of the aggregating platform of regional integration blocks as supporting structures to the edifice built on BRICS. In terms of terminology, the BEAMS platform is to denote the aggregation of regional integration groups, with BRICS Plus being a broader concept that incorporates other forms of BRICS’ interaction with developing economies such as platforms of regional developing institutions or regional financing arrangements (RFAs). The above BEAMS grouping is a direct, almost one-for-one reconstruction of the sequence of BRICS outreach exercises with their regional partners throughout the 2013-2017 period. In effect it is the “revealed preference” of the BRICS economies with respect to the composition of the BRICS Plus aggregating platform of regional integration groups. The contribution from China was that of launching a diversified, global approach within the BRICS Plus format that taken together with earlier outreach exercises lays the foundations for what China’s foreign minister Wang Yi termed as the “most extensive platform for South-South cooperation with a global impact”. In other words, BRICS Plus and BEAMS as its sub-component, is a summing up/synthesis of earlier BRICS experiments and innovations in the field of building ties with the Global South”.

The latest summit in Brasilia 2019 marked instead a setback in this process. Unlike what happened at the Xiamen (2017) and Johannesburg (2018) summits, no third country was invited to the XI Summit in Brasilia (2019). A set of reasons related to the nature of the coalition (divergence in foreign policy options between member states) and to the different interpretative orientations of the role of BRICS in the international scene (for example, between those who value the group's international political role more and those who instead the economic one) are at the origin of this situation which gives the Russian 2020 presidency an important open problem. It is a fact that throughout their collaborative experience the BRICS have always managed to overcome the differences between the member states by prevailing common interests for a different model of

global growth and for promoting the internal development of the states, classifying and addressing political divergences and also some conflicts between them as subordinate and secondary situations; see for example the contrasts between China and India over Pakistan. These differences in orientations and evaluations are a natural fact for a reality that unites states with situations and roles that are so different from each other. The commitment to intensify "pragmatic cooperation" between the BRICS, as already mentioned, has been and still is a very useful solution for maintaining the compactness of the group; but also, we can add, the demonstration of good historical wisdom and a vision of the problems linked to the reform of the global system, which would be a mistake to underestimate.

In any case we are faced with a stalemate that the Russian president (2019) has declared he wants to overcome, resuming the process of the past years and ensuring the participation of important bodies, primarily the Eurasian Economic Union (EAEU) and the Confederation of Independent States (CIS), at the collateral meetings scheduled for the XII summit 2020 in St. Petersburg: "As for inviting other countries, outreach is a common practice. We plan to invite both regional economic organizations – primarily, the EAEU (the Eurasian Economic Union) – and the CIS. Remember that some of the BRICS countries are also involved in the EAEU; therefore, it will be an absolutely natural meeting of the partners in another organization, if not BRICS. The discussion will be open to all the parties and every issue to be discussed will be of interest to everybody invited to the event" (Putin, Brasilia BRICS Summit, press conference, Kremlin.ru, Nov. 14 2019).

There is still a further reflection to be done. As mentioned, the theme chosen by the Russian presidency 2020 is the following: "*BRICS Partnership for Global Stability, Shared Security and Innovative Growth*". Without underestimating the difficulties connected to sanctions and international tensions, it is our opinion that the significance of the Russian presidency will be based and measured on the meaning that will be given as well as to the proposals that will be elaborated according to adjective "Global" that has been included in the title of the next 2020 summit. In this regard, in order to reduce the impact of the above-mentioned difficulties, it could prove to be a very useful option if Russia, just like other Brics states, steered their commitment and also operated on the platforms they share with all the other states outside of coordination. These are the contradictions of our time. Indeed, on the one hand, states create barriers, obstacles, ruptures; on the other they approve and commit to enhance common strategies, just as in the case of the 2030 Agenda on sustainable development which is a common platform for all member states of the United Nations. A platform that applies, for example, to Russia and BRICS states as to the member states of the European Union. The strategic significance of the Russian 2020 presidency would certainly benefit and have advantages if Russia, together with the promotion of BRICS interests and the construction of collaborations with emerging and developing countries, could move the accent and work together with the BRICS coordination also on these platforms which it has in common with the so-called Western world; it would certainly help to clarify a tense international situation. The great challenge of achieving the goals and targets approved by the UN for new economic, social and environmental policies could open up unprecedented opportunities for discussion and collaboration between realities that refer to geopolitical and geoeconomic options, even very different from each other.

4- The main points of clarity on the complex BRICS reality

In light of the profound changes that have taken place in the international situation in this complex period 2018-2019 - in the political sphere (multilateralism-unilateralism), economic and financial (real economy - financial economy), social (imbalances and social tensions, migrations), environmental (climate changes, correction of the development model) - and of the parallel evolution of the cooperation strategies of the BRICS states, a conclusive reflection on the firm

points that in our opinion have been reached by the coordination becomes appropriate. This is in order to better understand its value and possible future development. To this end, the results of the reflections carried out in this period by the experts participating in the analysis and study activities of the BRICS Lab of Eurispes, set up in Rome (Italy) in 2015, are reported.

4.1-The identity and political nature of the BRICS

As we said at the beginning, the BRICS are an international entity that has a precise ideological identity bond: it promotes, protects, enhances the identity of its member states, respects national sovereignty, territorial integrity, independence. Relationships between states of coordination are based on the sovereign unity and equality of nation-states.

BRICS are not a political alliance but a platform for dialogue and cooperation. So President *Putin* at a 2019 press conference: "as for increasing its influence, we are not pushing it or trying to turn the group into a closed alliance" (press conference promoted by Russia This Week, a weekly review by the MEMRI Russian Media Studies Project).

According to a political interpretation provided by the amb. *Anil Sooklal*, South Africa's BRICS Sherpa, (2019): "BRICS is a continuation of the tradition that was firmly established 65 years ago, in April 1955, when countries of Asia and Africa met at the historic Bandung Conference to galvanize their collective muscle in the context of the Cold War and assert themselves in the international system".

4.2-The legal nature of the BRICS

BRICS are not an institution, at least according to the traditional criteria of international law. BRICS do not have an autonomous structure with their own budget, for example as it is for the European Union. The only internationally recognized BRICS institutions are the *New Development Bank (NDB)* and the *Contingence Reserve Arrangement CRA Fund*. But, as stated by the South African ambassador to Italy, H.E. prof. *Shirish Manaklal Soni*, (2019) "however important, it must be remembered that, referring for example to the NDB, a bank is always a bank; in other words, the organization of these internationally recognized structures does not push the institutional framework of BRICS coordination beyond a certain limit".

According to the authoritative expert, the Italian plenipotentiary minister and ambassador (rtd) *Giorgio Bosco*, "the scholar knows that there are some fundamental requisites that an international organization must fulfil to be called as such. The first of them is an international agreement concluded by three or more States, aiming at the creation of the new entity; in Italian we call it "accordo istitutivo" (institutional agreement). No such agreement exists among the BRICS. But international law is continuously changing and evolving, and so the lack of an institutional agreement could be compensated by the existence of important "joint declarations" that have been approved and signed by the five States each year, at the summits of the group. Another element normally considered in connection with the international organization is the existence of a structure: a plenary meeting, an executive council, a permanent Secretariat. What have we in the case of the BRICS? We have only a "virtual Secretariat": a joint website. This website is the product of a "Memorandum of Understanding" (MoU) signed by the Five in July 2015. In this document we can already witness a first attempt at an organized structure because its modular texture is devoted to, inter alia, "the incumbent BRICS chair, the BRICS Official Documents Archive and national modules of the BRICS Member States". Here we find the expression "Member States", which is typical of an organization, and leads the way to the institutionalization. (It is useful to remember here that the C.S.C.E., Conference on the Security and Cooperation in Europe, was born as a group of "participating States", and only many years later became O.S.C.E., O for Organization). Finally the scope. The specialized organizations have each a scope: UNESCO the culture, WHO the health,

etc. The scope of the BRICS is wide, and we can deduce it from the document entitled “Concept of the Russian Federation’s Presidency of BRICS in 2015-2016”: “Developing cooperation among the BRICS countries in the socio-political, economic, scientific, cultural and youth sphere”. “Of course - Ambassador *Giorgio Bosco* concludes - all I have said until now is just to give an idea of the complexity of the problem. But if we have in mind this concept, that the BRICS is an organization “*sui generis*” which cannot easily be placed in the well-known patterns, we can have a very useful key for a better understanding the terms of the BRICS institutional set-up problem and possible solutions”.

On the other hand, in this regard it must also be considered that many voices among the protagonists themselves of the agreements between the BRICS states, for example, consider the organization of a secretariat, as a permanent reference structure, superfluous. The concrete and positive results achieved by the coordination in over ten years of activity confirm that coordination works well in this way and that there is no need at all for a secretariat at this stage (see the subsequent section on the mechanisms of operation of the BRICS).

4.3-The functioning mechanism of the BRICS

The main BRICS activities take place at various levels:

- i) The *BRICS Leaders* meet at the BRICS Summits on an annual basis, as well as on the margins of the G20 Summits;
- ii) The *Ministers* of Foreign Affairs/International Relations meet annually in mid-term and also on the margins of the United General Assembly Sessions (UNGA). The National Security Advisors meet annually, as well as the other Ministerial tracks as outlined in the Summit Action Plans (supported by preparatory Senior Officials meetings); BRICS Deputy Ministers of Foreign Affairs/IR also meet annually to discuss issues in respect of the Middle East and North Africa (MENA) – role of Sherpas and Sous Sherpas;
- iii) *Track 2* structures, i.e. the BRICS *Business Council* and *BRICS Think Tanks Council*;
- iv) *Track 3* and other structures, including fora for Civil Society, Youth, Academics, Business, Labour as well as Parliament.

Approximately 40 separate tracks with approximately 100 meetings per year covering full spectrum of political, security, economic/financial and social sectors.

4.4-The characteristic of BRICS on the international scene

In the international scene, BRICS represent an element of structural novelty, not cyclical. This is confirmed by the experience of the first decade just ended, the progressive extension and intensification of sectoral and regional cooperation, the prospects for dialogue and cooperation extended to external realities that have been opened for the near future with the new BRICS PLUS policy, even if, as we have already said above, the XI Summit 2019 in Brasilia marked a halt in the development of this process.

In any case, it is undeniable that the BRICS with their experience and their common initiatives to enhance regional experiences are part of the ongoing process of reorganization of international political and economic structures (regionalism - globalism) and are increasingly being confirmed as the active protagonists of a process of organizing a new "regional world" (*Acharya*, 2014) that is an international system in which multiple centers of power contribute to the definition of "a new global, plural and multicentric system"; "a way of reaching a different kind of globalization and by other means" (*Barbieri*, TWQ Journal, 2019) since the practices implemented by these actors are not contrary to globalism in itself.

4.5- The vision and the opening of the BRICS

The BRICS support the "big correction" of the current globalization processes approved by the United Nations with the 2030 Agenda to build a different world governance that ensures a fairer, inclusive, sustainable development. Hence two important elements: a) their position of openness to wider collaboration with the main international, formal and informal subjects, such as the UN, WTO, IMF, G20 summit; b) their commitment to collaboration and involvement of the most excluded realities from the global development process, such as emerging and developing countries.

The Final Declaration of the UFA summit 2015 makes it clear that "the BRICS pursue a general political objective of coordination and collaboration, and not of opposition, with the main international institutions and other coordination structures, primarily the G20". And again: "We call on the major economies to strengthen their political dialogue and coordination in the context of the G20"; "To consolidate the role of the G20 as the main forum for economic and financial cooperation" (points of commitment n.11, n.18, Ufa Declaration.) and to support the priority needs of developing countries and emerging markets in that context.

These guidelines are confirmed and repeated in all the Final Declarations approved in the later summits, up to the last XI summit of 2019; as in the many interventions of the experts made in recent years on the most diverse occasions (conferences, round tables, etc.). As a mere example, we report the positions that have been illustrated at two conferences organized in Rome by the BRICS Laboratory of EURISPES Institute with Prof. *Georgy Toloraya*, director of the Brics National Research Committee - Russia on January 9, 2017 and with the pl. minister *Pavel R. Knyazev*, Deputy Director of the Political Planning Department of the Ministry of Foreign Affairs and BRICS Sous-Sherpa of the Russian Federation, on 30 October 2018. On both occasions, the authoritative Russian representatives have explained that the BRICS coordination does not operate "against" someone or something but, on the contrary, operates "for", that is, in favor of a strengthened international multipolar system; for collaboration, not competition, with major international bodies; for a more balanced development; that the BRICS are a "union of reformers", a "union between civilizations".

4.6-Economic strategies

With their projects and investment plans, the BRICS pursue the recovery of the primary role of the real economy over the financial economy, the creation of a monetary system more coherent with inclusion policies. In this direction, for example, operate on the one hand the major infrastructure projects such as Eurasian and African "corridors" which are functional to enhance the collaboration between the various regional areas as well as to consolidate the situation of emerging countries; as, on the other hand, the organization of baskets of local currencies in project financing, a concrete and valid experience to be assumed as an indication for a broader reform of the international monetary system.

4.7-The relations between BRICS and the European Union.

From the foregoing, the belief that BRICS represents a new growth opportunity for all, of a new and more qualified / balanced development model is justifiable. Seizing these opportunities should be a primary interest in particular for the European Union and its member states, also for building new forms of collaboration and useful synergies in the regional areas that are subject to intervention by the two bodies: for example, the Euro-Asian area, the Mediterranean area, Africa (where on May 30, 2019 the important agreement on the free trade area came into force and the African Continental Free Trade Area -ACFTA was established), Latin America.

In this regard, a commitment point of the EU member states, starting from Italy, should be to correct and overcome the contradictory position of the European Union towards the BRICS. Indeed,

the main document on the BRICS of the European Union (the report approved in 2012 by the European Parliament - 10.01.2012 - n.A7-0010 / 2012) highlights a contradictory attitude on the part of the EU. On the one hand, the EU manifests a very positive and collaborative attitude (see D-F points on a "constructive partnership" and a "shared global governance"), but on the other it expressly invites the EU member states to give preference to agreements with individuals states belonging to the BRICS to "discourage the creation or consolidation of alternative groups of states" (see art. 9). The concern of the EU to prevent the BRICS from consolidating their reality as a real geo-political and geo-economic bloc is evident.

This contradictory position still characterizes the prevailing orientations of the EU: its correction would be a useful act for all and would open up new perspectives and opportunities for collaboration. In this sense, as mentioned at the beginning, a contribution could come from the way in which the Russian presidency of BRICS 2020 will interpret that adjective "global" included in the theme of the next summit. Perhaps the new EU that emerged from the 2019 European elections and hit by the serious political fact of Britain's exit, from Brexit, could react in a different and far more positive way than in the past.

ANNEX 1

“The BRICS and the threat of a new global systemic crisis”

Extract from the Report by Paolo Raimondi
*Economist, columnist of ItaliaOggi,
Fellow of the “Laboratorio BRICS” of EURISPES*

Paolo Raimondi's Report was presented and discussed on the occasion of the XI Meeting of the BRICS Laboratory of the Eurispes Institute, held in Rome-Italy on 13 December 2019, at the Italian Ministry of Foreign Affairs MAECI.

The Extract from the Report allows the reader to have adequate knowledge of the seriousness of the crisis risks currently present in the world financial market. The information that follows has been drawn from studies and reports published by the *International Monetary Fund (IMF)*, from the *Bank of International Settlements (Bis)*, from the *Financial Stability Board (Fsb)* and from other official agencies.

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1-The Debt Bubble

The **World's aggregate debt (public and private)** will reach by the end of 2019 the amount of 255 trillion dollars. In 2018 it amounted to 177 trillion: an increase of almost 80 trillions in ten years. USA and China, together, represent 60% of the total. Also, the aggregate debt of the emerging economies has risen reaching 71.400 billion dollars, amounting to 220% of their GDP.

The world debt, **excluding the banking and financial sector**, has risen to 250% of GDP. It was 200% in 2008.

Of this debt, the part made up by **bonds** is particularly relevant. In ten years, there has been an increase from 87 to 115 trillion dollars. In this context sovereign bonds, those issued by states, have also risen from 40% to 47% of the total. Moreover, the share from emerging countries in the last decade has also risen from 17 to 28 trillion dollars.

Since 2007 the **world's public debt** has more than doubled going from 28.7 to 70 trillion dollars. In the same period the American debt has tripled amounting, today, to one third of the total.

The IMF has considered that 85% of the 24 economies involved in the Bank Crises of 2008, 18 of which in the advanced sector, have been manifesting negative deviations in respect of the pre-crisis trend. The productivity level of 60% of the 24 economies previously mentioned is still under the level it had before the crisis.

2-Corporate Debt

The **corporate bond** bubble has become the biggest threat to the world's economic and financial system. It may even be worse than the notorious subprime and real estate mortgages bubble of 2008. Corporate debt has reached a peak of 72.600 billion dollars, equal to 91.4% of the world's GDP. These are bonds issued by companies in order gain funding. The use of the capital market is undoubtably a positive and important way to gain access to capital if used with great attention. It is possible to gain the liquidity necessary to innovate and modernize the productive structures and to extend the market perimeter. Unfortunately, as in many other financial and economic situations abuse and lack of thoughtfulness may bring to disasters.

In the last ten years this corporate bubble has risen by 27 trillion dollars at a world level. A particularly strong growth was registered in the emerging economies with corporate debt increasing from 20 thousand to 30 thousand billion dollars. In relation with their GDP the corporate debt has moved from 56 to 105%. In China it reached 15.4 trillion dollars. Beijing is defending this trend by pointing out that the underlying assts are equal to 20 trillion yuan. A much better ratio then many western countries.

The concerns just underlined find confirmation, in regard to emerging economies, in a study published by the United Nations Conference on Trade and Development (Unctad). The study affirms that these economies have been inducted to disproportionally indebt themselves, especially in the private sector, by the *Federal Reserve's* zero interest-rate policy. Their percentage of corporate debt on a world level has increased form 7% in 2007 to 26% in 2017.

Moreover, the IMF underlines that 19 trillion dollars of corporate debt within the major economies, USA, China, Japan, Germany, France, Italy and Spain risk to default in the face of a new economic crisis.

In the United States the corporate debt bubble has reached 15.5 trillion dollars, greatly surpassing the real estate one, that amounts to approximately 11 trillion. That is why the United States may become the centre of a new and worst global financial crisis. Since 2008 the amount of corporate bonds within the USA has risen by 75%. This brought the IMF to recognize the possibility that a rise in the interest rates might increase the risk of collapse for one-fifth of big American corporations.

3-Shadow Banking

Meanwhile, the world of finance has profoundly changed: banks aren't in the first place anymore. According to the "*Global Shadow Banking Monitoring Report 2018*" of the Financial Stability Board (Fsb), headed in the past by Mario Draghi, at the end of 2017 the global financial assets amounted to 382.3 trillion dollars. Five times more then the global GDP.

These financial assets are thus divided: 182 trillion are managed by non-bank financial institutions, 151 trillion by banks, 30 trillion by central banks and the rest by public financial institutions. Non-bank financial institutions "*entities and activities of credit intermediation that operate outside the normal banking system*", are considered and called by the Fsb **shadow banking**.

Non-banking activities comprehend: insurance companies with 33 trillion dollars in assets centred in the United States and Europe, pension funds with 33.6 trillion dollars, 60% of which in American hands, and the so called *Other Financial Intermediaries (Ofi)* with 116.6 trillion dollars. These include various types of investment funds, hedge funds, financial holdings and other financial organisations, usually very "creative" and speculative.

The Euro area of *Ofi* amounts to 32 trillion dollars, surpassing United States and by far China, with the latter going through an extraordinary increase.

Within the *Ofi* there is a sector in continuous development, called *narrow measure of shadow banking*, representing 51.6 trillion in assets. According to the Fsb, the **narrow measure** operations are much more riskier than other instruments because they heavily rely on leverage, they operate with big numbers but with few proper capital. This is exactly the situation that had been created on the eve of the 2008 crisis. Regarding the above-mentioned narrow measures, the United States are still in first place with 29%, followed by Europe with 23% and by China with 16%. Particularly relevant in this context is the fact that the Cayman Islands, the quintessential tax heaven, represents 10% of the total!

Shadow banking within the United States has hugely increased: it went from 28 trillion dollars in 2010 to 45 trillion today. *Sheila Blair*, former president of the Federal Deposit Insurance Corporation (Fdic), the important public agency that gives a guarantee to citizens' savings, pointed out the fear for a new economic crisis. "*We are in a bubble*" she affirmed, adding that in such a situation it's absurd that the rules and requirements of bank capital have been watered down. She affirmed that it's not true that bubbles are recognizable only retrospectively, after they have burst. The only thing that it's not possible to recognize is the moment of the burst. She also pointed out that the policy adopted by the Federal Reserve has done everything possible in order to sustain this bubble.

4-Index Funds

One of the most aggressive manifestations of shadow banking is represented by the so called, *exchange trade funds (etf)*, the investment funds that operate accordingly to a reference index.

A study titled "*The three giants*" from Harvard University clearly shows the growing power of three American *etf*, the BlackRock, Vanguard and State Street Global Advisors (SSGA) funds. The exchange trade funds are investment funds that collect capital and savings from different entities, and they invest them in a portfolio of titles from corporations included in the Wall Street index. In this context an emblematic case is that of Standard&Poor's 500.

The three Giants together handle 14 trillion dollars in financial assets (assets under management). Their growth has been huge. In ten years 80% of all the capital that went to investment funds was concentrated in these three giants. In twenty years, their shares of big American corporations, that are part of S&P500, has quadrupled rising from 5.2% to 20.7%.

BlackRock and Vanguard effectively hold more than 5% each of the shares from all the American companies that are listed in the S&P500. The abovementioned paper estimates that the Three Giants represent 25% of the votes in the board of directors of the companies in question.

After the Banks *too big to fail*, whose hazardous nature was denounced by different investigations conducted by various commissions within the American congress, now there is the rising problem of the excessive financial and managerial concentration of these exchange trade funds.

5- The OTC Derivatives

The financial derivatives sector has also avoided the control and containment attempts made with the American financial reform *Dodd-Frank Act*. *The Bank for International Settlements (Bis)* in Basel has published a series of studies on the over the counter derivatives market (*otc*). These studies point out that during the years their **notional value**, at a global level, has always been between a minimum of 500000 and a maximum of 650000 billion dollars. A number not particularly distant from the 700000 billion of the Great Crisis. *Otc* are financial derivatives that are not regulated, exchanged outside the regular markets and often kept out of the budgets. These are maybe the most dangerous fruits of the so-called financial deregulation.

ESMA, European Securities and Markets Authority, published its annual report on the situation of derivatives. At the end of 2017, only the European market had registered a notional value of 660 trillion euros, of these more than 542 trillions are *otc*. From the report it is clear that regulated derivatives, the less risky ones, represent only a fraction of the market.

Up until now, analysis have been based on data provided by the Bank for International Settlements. At the end of 2017 the Bank had quantified the total amount of derivatives at a global level at 622 trillion dollars, of these 532 trillion were *otc*. Moreover, *Bis* has always pointed out that the “*european component*” of the derivatives market amounted to one fourth of the total. If such an estimate was to be confirmed, then the *otc* bubble might be much bigger than anticipated. In this regard it's important to point out how, in the past, it was always the big American banks that held the first places within the *otc* market. Today instead, surprisingly, it's the German *Deutsche Bank* that holds the first place, with *otc* for a notional value of 43500 billion euros.

6-Turbulence in the Monetary System

Since the default of *Lehman Brothers* in 2008 the international monetary system has been in a continuous and sometimes tumultuous turbulence.

If even an economist of the American bank *Jp Morgan Chase*, the biggest between the *too big to fail*, admits that the era of the dollar as a currency for international transactions is coming to an end, it means that something important is really changing within the international monetary system. The dollar has been the dominant currency for almost a century. But Craig Cohen, the economist from *Jp Morgan Chase* affirms that “*the dollar might lose its status as the main international currency*”.

More than 70 years after the *Bretton Woods* agreements the world's economy has deeply changed. New economic actors have emerged, among them the group of BRICS countries and the European Union. The dollar is still the currency used in more than 60% of the world's commercial operations and it's still the principle reserve currency but the influence of American economy compared to the rest of the world has declined.

China, for example, as well as using the yuan in many international trade agreements is moving to bypass the dollar in the energy market. The international stock exchange in Shanghai has launched yuan-denominated crude oil futures. In just a few months the share of deals concluded in yuan reached 10% of the total exchanges.

The composition of monetary reserves is also undergoing a transformation. In the last ten years the share of gold in Russian reserves increased tenfold. Moscow's Central bank holds 2190 tons of gold for an approximate value of 90 billion dollars. One fifth of the whole Russian reserves. In 2018 the Russian central bank halved its dollar reserves from 45.8% of the total reserves to 22.7%. Dollars were substituted with euro's (that went up from 21.7 to 31.7%) and with yuans (risen from 2.8% to 14.2% of Russian total reserves).

Every month China buys tons of gold, a part of which is destined to increase the country's reserves. The total quantity of gold amounts to approximately two thousand tons, and there is still a high margin of growth since gold amounts to only 3.5% of total Chinese reserves. In any case gold concentration is still higher within the United States. The country holds gold for 8200 tons, equal to 70% of total American reserves. A similar percentage is true for Germany as well. In Italy, gold, with almost 2450 tons, represents 66% of the country's reserves. The trend both at a global level and in western, industrialized countries to replace the dollar, in the composition of reserves, with gold and other currencies is going on swiftly.

The progressive loss of confidence in the “dollar system” is also confirmed by the distancing of many institutional investors from American government bonds. In the past Russia was considered as one of the main investors in Treasury bonds. In 2010 it held 176 billion dollars of American bonds. Today its share has dropped to 12 billion dollars. China, the biggest investor in Treasury bonds, is selling, month after month, tens of billions of dollars of them. In last two years it reached its minimum with less than 1100 billion in Treasury bonds. The same trend is taking place in other countries such as Japan and Great Britain.

7-Tarif Wars and the Use of Parallel Currencies

Every action has a reaction, that, sometimes, surprises whoever started the dispute. This is the case of the tariff and sanctions policies. They are determining the conditions for the birth of a parallel monetary system based on the yuan, usable both in commercial exchanges and as a reserve currency.

Russia and China have signed an agreement for the use of financial instruments in rubles and yuan in order to cover, in the next years, up to 50% of their bilateral trade. The realisation of the *Belt and Road Initiative* and the financial role of the *Asian Infrastructure Investment Bank (Aiib)* will be needed in order to internationalize the yuan.

Recently a group of economists from BRICS countries have presented a detailed study “*Use of national currencies in International settlements. Experience of the BRICS countries*” published by the Russian Institute for Strategic Studies (Riss).

Up until 2016 the volume of China’s trade in renminbi was of 22% while that of Russia in rubles amounted to 20%. The Currencies from other BRICS countries are still far away from these values. Regarding the total of international inter-bank transactions, Chinese currency represents only 1.6%, the South African rand the 0.8% and the Russian ruble the 0.25%. It might be said that these numbers aren’t significant, but it must be pointed out how, in the last ten years, nobody in the western world could have imagined similar developments.

These trends strengthen the request for an overcoming of the dollar as a reference currency with a **basket of currencies**. This would be a rational, equitable and pacific evolution towards a new monetary system reflecting a new **multipolar world**. Meanwhile the IMF had to review its participation fees, recognizing the increased economic role of China. From October 2016 renminbi are part of the IMF Special Drawing Right (SDR) currency basket, the monetary reserve currency created by the IMF.

8- Conventional Answers are not Enough

In a possible new crisis, even the *Bis* believes that a bailout from central banks might not be enough because the parameters for action have drastically changed. Today the causes for a possible recession are much more linked to the financial system, especially when it is protagonist of an unsustainable growth.

The *Bsi* acknowledges that an expansive monetary policy was necessary to bring the economies of the most advanced industrial countries out of the crisis. Quantitative easing policies, with the injection of new liquidity for the purchase of public bonds and other investments, such as the asset backed security owned by banks, have produced a series of effects that in the long term might become destabilizing.

Among other things they had the effect of inflating the budgets of central banks. The Federal Reserve’s budget passed from 800 billion dollars in 2008 to 4050 billion today. The one of the Central European Bank has risen from 2000 billion euros in 2008 to 4700 billion euros today.

Together, the four most important central banks, the *Federal Reserve*, the *European Central Bank*, the *Bank of Japan* and the *People’s Bank of China*, have collected assets for more than 20 trillion dollars. Respectively, more than 100% of Japan’s GDP, 40% of then those of China and of the eurozone and approximately 20% of the GDP of the United States.

The extend policy of zero interest rates, coupled with the availability of huge masses of liquidity brought to a degeneration of the capital market. In this regard, the last estimates made by the IMF suggest that 17 trillion dollars of both public and private bonds register **negative interest rates!** This situation is putting a strain on institutions that operate in the long term such as life insurance companies and pension funds as well as reducing the profitability of many banks, especially in Europe. Such a trend can not keep expanding and be sustainable over time without causing upheavals in the markets.

The expansive monetary policy has, consequently, generated situations of moral hazard unleashing a strong search for yield and an excessive risk-taking. Such permissive conditions for funding have

also kept alive the so-called “zombie companies” (those that are not profitable enough to pay for interests).

Central Banks, today, in case of a worsening of the economic situation have very few instruments with which they could intervene. Indeed, all the instruments of the different and non-conventional monetary policies have been used to exhaustion.

Among the biggest concerns of the central banks there is the risk of a rise in inflation. If it were to present a situation in which it would be necessary to contain the inflation, the interest rates would have to rise. This could shut down an economic system already under stress, with special regard to the corporate bond sector and to the other bubbles that have been previously mentioned. At that point the effect on the global debt would be particularly difficult to handle.

9-Warnings and Concerns

There have been various economists that have been raising concerns for a possible, new economic crisis. Among them, *Jacques de Larosière*, former governor of the central bank of France, director of the International Monetary Fund and in 2009 author of Report of the EU commission for the construction of the *European Systemic Risk Board*. He affirms that accommodative monetary policies of the central banks have been undermining the whole financial system, thus making impracticable possible future adjustments.

The idea that central banks must keep the inflation level at 2%, intended as a manifestation of the right course in the managing of monetary policies and of the economy, is wrong. People that adhere to this idea affirm that under that level there would always be the risk of deflation, namely a fall in prices.

The former IMF director, on the contrary, affirms that the annual inflation target should be lowered at 1%. This because there are structural reasons that profoundly change the data that determines consumer price: the ageing of the population, technological advancements that reduce the cost of production, globalization that gave way to the entrance in our markets of products with bargain prices, because they are produced with low salaries and in static labour markets. Therefore the 1% target would not be in any way a deflationary target.

Furthermore, *J. de Larosière* underlines how the protracted and exaggerated zero interest rate policy has produced other serious consequences such as: a strong inclination towards debt, a weakening of the banking sector, a worsening of the budgets of pension funds with investments in government bonds with no return, the proliferation of “zombie companies” because interest rates have stop playing their role as a discriminating “quality index”, and finally the push towards investments and financial products with high risks and a disincentive for governments to enact structural reforms.

Moreover, with zero interest rates, companies, instead of making new investments, are pushed to produce more debt with which they buy on the market their own stocks. This creates an illusion of stability admonished *Larosière*.

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