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Summary

By 2016, the BRICS mechanism has been founded for ten years and this year is the most extra ordinary for the BRICS mechanism passes by. It suffered the public opinion pressure from the strongest and most noise of "bad-mouthing", but also experienced a number of severe political, economic and social problems with their member countries: Brazil experienced a major political reshuffle, deep economic recession and frequent social movements. Russia continued to pay off with the Western World. All these make the prospects for economic recovery more complex. China's economic restructuring is facing downward pressure, GDP growth rate fell to the lowest level in the past 25 years. South Africa's economy slows down and become haze. India's economic data was exclusively eye-catching, but questioned by the outside world for its fake.

However, the BRICS mechanism construction is shining and eye-catching in the uproar of "fading" in 2016. Goa summit injected a new impetus for the BRIC cooperation, which will set out at a new starting point again. BRICKS Development Bank will give “its first show”: the first batch of loans is offered to renewable energy, highlighting the characteristics and innovation of BRICS Bank. Its high efficiency, transparent, simple operation mechanism, leading the development direction of new multilateral financial institutions, is like a ray of "fresh air" in the international financial governance system. BRICS for the first time issued "green bonds" among the member countries, and the bonds for the first time are issued in the member countries’ currencies. BRICS emergency reserve arrangements are put into operation to effectively enhance the global financial safety network.

In 2016, BRICS's existing mechanisms, such as the Business Council, the Environmental Cooperation Conference, the Parliamentary Forum and the Think Tank Board, continue to advance. The newly-established “BRICS Anti-Terrorism Working Group”, “BRICS Agricultural Research Platform”, “BRICS Tourism Conference”,
“BRICS Friendship Cities Forum”, “BRICS Junior Soccer Tournament”, is flash highlights of cooperation in 2016. Especially the foundation of “Anti-Terrorism Working Group” will provide strategic deployment and tactical support for BRICS countries fighting together against terrorism. Additionally, the initiative to set up "BRICS Network College" and the "BRICS College Alliance" will be implemented also. Such new initiatives as to set up the “BRICS Economic Research Award”, “BRICS Rating Agency”, “BRICS Young Scientist Innovation Award”, and “BRICS Sports Council” are all new and refreshing. BRICS cooperation will unprecedentedly increase in terms of the breadth and depth, and BRICS presents a good momentum of “full-prosperity, and multi-wheel driven”.

In 2016, BRICS’s economic outcome is not always bleak, but turns the corner with a good situation of "opportunities emerging in the crisis, and the economy stabilizing and recovering". The "baked Brazilian economy”, called by the media, shows signs of recovery as some economic indicators begin to improve. According to the data released by the Brazilian National Geographic Institute, the Brazilian industry rose by 0.3% over the second quarter, ending a five-quarter recession. Russia's economy also appears brighter as by April, May and June this year, the Russian economy fell 0.8%, 0.6% and 0.5% respectively, and the decline is narrowing. According to the briefing released by the Russian Central Bank Research and Forecast Division, Russia's GDP will grow by 0.4% in the third quarter of and 0.5% in the fourth quarter. South Africa’s economy appeared recession but grew by 3.3% in the second quarter. China's economic development was better than expected as the important economic indicators begin to stabilize and recover and the economy runs smoothly in a reasonable range although they weakened and declined in the past. Indian economy moves forward at high speed in the reform of Modi’s government. IMF-issued "Asia-Pacific Economic Outlook report" forecasts that during the fiscal year 2016-2017, India will maintain the same
7.5% growth rate. BRICS countries’ economy climbs from the bottom, or stabilize sand becomes better, or grows significantly. All the trends show that the BRICS economy, the leader of emerging economies, is not a flash in the pan, was not the "engine" for the world economy in the past but will still be the "locomotive" to pull the world economic recovery and growth in future. The gold BRICS is still highly valuable.

In 2016, the BRIC countries proactively put into efforts and have a good performance on the global governance stage wherewith the persistent effort of the BRICS countries, the IMF share reform, delayed for nearly six years, finally was launched, and the voting right of developing countries rose by 6%. For the global and regional issues, the BRICS countries constructively participate in various traditional and non-traditional security dialogues and consultation and provide ideas different from developed countries to solve a variety of hot and difficult problem. In the reform of the international order and the improvement of the governance mechanism, the BRICS countries have made a speech and made common efforts to enhance the international institutional power that the developing countries shall have. With momentum of the BRICS countries, the global governance system has been unprecedentedly strengthened in terms of its representation, equality, effectiveness.

As a saying of "good honing gives a sharp edge to a sword", in the face of challenges and pressures, BRICS countries temper forward to complete the first round of "ten years of grinding sword". In the coming decade, the BRICS countries will begin a new start and continue to expand the “circle of friends”, join hands with the developing countries to create an inclusive, orderly and open world economic environment, build a democratic international relations, a legal political environment, thus to establish a more fair and reasonable international political and economic new order.
Chapter 1 Gold signature: BRICS Bank’s first glorious show

I. BRICS Bank locks renewable energy at its first show

After the establishment of the BRICS Bank, how its first show to operate to distinguish it from the existing international multilateral financial institutions has become the focus of attention of the international community. On April 17, 2016, BRICS Bank announced the first loan projects of up to 811 million US dollars. These loans were designed for building the BRICS countries’ renewable energy power generation capacity, which can produce 2,370 MW green energy power, is expected to avoid emissions of 4 million tons of carbon dioxide\(^4\). The arrival of the first loan projects marks the beginning of the substantial operation of BRICS Bank.

From the published content and data, BRICS New Development Bank does have "new features":

First of all, BRICS’s operations penetrate the new concept of "green finance", through the development of renewable energy, BRICS Bank guides investment to flow into the fields like environmental protection, resource and energy conservation, new energy development, highlighting the important role of finance to build an future energy structure, to promote economic growth and environmental protection complement each other, and to achieve transformation and sustainable development of the BRICS’s economy, and finally to achieve green growth.

Second, BRICS Bank’s first loan demonstrates to the international community that the New Development Bank focuses not only on general development but on developing and nurturing new growth points. Compared with the old investment models of the BRICS’s five member countries, BRICS Bank did not invest in bulk commodities, equipment manufacturing, real estate development and other fields, but in innovative

\(^4\) BRIC’s first four loans are: a 300 million US dollars lending loan to the Brazilian National Economic and Social Development Bank with to support Brazil's 600MW renewable energy power generation capacity; approximately 81 million US dollar RMB-denominated loan to Shanghai Lingang Hongbo New Energy Development Limited (China) to support the company's 100MW solar roof power generation project; a total of 250 million US dollars to IndianCanara Bank to support construction of the 500MW renewable energy power generation capacity, the first part of the cooperation will be offered 75 million US dollars in the form of lending loan; financial support to the South African State Power Corporation for cables used for the company’s 670 MW power transmission, and construction of 500 MW renewable energy independent power plant.

thinking, investment and the fields of sustainable development boosting in line with the requirements of development of the times.

Thirdly, from foundation to announcement of its initial loan programs, BRICS Bank operates in short time and a fast-paced fashion, fulfilling its commitment to run in a simple and efficient way to the international community. In contrast to the World Bank, the International Monetary Fund (IMF), their loan issuance process is complicated and lengthy, project screening, review and approval procedures frequently take a year or two, BRICS Bank, with efficient, fast-paced appearance, is much like a ray of "new air flow" blowing over the multilateral financial system. The BRICS Bank's first show also confirmed the word said previously by the vice governor of BRICS Bank, Maasdorp, is true. He pointed out that the BRICS Bank tried to make a difference in sustainability, practicability, execution and innovation, fully activate financial resources of the BRICS countries and other developing countries to make the most effective allocation and achieve a win-win situation.

In line with the first batch of loans for green energy, BRICS Bank issued 3 billion RMB five-year green bonds in July 2016 for the first time in the inter-bank market in China. Leslie Maasdorp, vice-president of BRIC Bank, hopes that BRICS’s assets and projects can reflect the purpose of green and sustainable development. "The first issue of BRICS Bank is 3 billion RMB bonds and a larger bond is planned to issue in the future," said Kamath, president of BRICS Bank. “Next time may be issued in local currency denominated bonds in India”, said Paulo Nogueira Batista Jr., the bank's vice president and chief risk officer.

In addition to targeting the green terminal, this is the first attempt by BRICS Bank to issue bonds or loans in member countries’ currencies. "All the existing development banks are now denominated in US dollars, the RMB has become a member of the SDR, so the BRICS Bank can take initiatives to issue RMB bonds or loans in the Chinese banking bond market”, said Kamath, vice president of BRICS Bank, on the Boao Asia

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6 http://finance.caixin.com/2016-07-14/100966370.html
Forum in March 2016. BRICS’s president Kamath also said, “If BRIC's first loan choice is China's recommended projects, then in accordance with the principle of using local currency, the RMB will become the borrowing currency”.

II. BRICS Bank and the Asian Investment Bank, "Two Wheels Drive" and interplay with each other

For these two emerging international multilateral financial institutions headquartered in China. The international community can’t help but compare them. Some believe that the Asian Investment Bank's thunder overshadows the BRICS Bank, and some speculate if they will "step on each other’s feet" in some areas of investment.

In fact, the BRICS Bank and the Asian Investment Bank neither step on each other's feet, but also have no jealousy. Both perform their own duties and promote each other. "BRICS Bank and Asian Investment Bank are very important sister agencies and also important partners," said Maasdorp, vice president of BRICS Bank. "Both have similarities in both infrastructure investment and difference in investment fields and objects. The characteristics and differences of the two new financial institutions, BRICS Bank’s President K. V. Kamath, has a clear definition and he believes that relatively speaking, the Asia Investment Bank will focus on investment in infrastructure construction, while BRICS Bank Will also focus on investment in sustainable the project. Kamath further explained the “sustainability”, and he said, “What kind of projects can be described as sustainable? One thing is certain, sustainable projects must be clean, green, environmentally friendly, and will maximize the benefits of more people. The countries along the ‘one belt and one road’ have many projects needed for financial support, BRICS Bank in this area can go further than the Asian Investment Bank."

Thus it can be seen that BRICS Bank and the Asian Investment Bank have a broad basis and potential for cooperation. In this regard, Liqun Jin, present of the Asian Investment Bank
Bank said at the opening ceremony of the BRICS bank, “Some projects can be co-financed by the BRICS Bank and the Asian Investment Bank”. The BRICS Bank’s president Kamath also said, "BRICS Bank will work closely with Asian Investment Bank, especially some large-scale projects can be co-financed by BRICS Bank and Asian Investment Bank, and there is a certain dislocation in the financing arrangements. For example, a project can be provided loans by the Asian Investment Bank, and then the BRICS bank can provide funding through other means."\(^\text{11}\)

**III. BRICS Bank only takes long-term perspective and then goes further**

BRIC Bank is the first large-scale multilateral financial institution set up by developing countries. How to develop its own characteristics and how to go further is a topic of constant concern by the international community.

From the strategic objectives, BRICS Bank should focus on the long-term interests of BRICS countries, root infields of sustainable development, not to seek quick success and instant benefit. As said Maasdorp, vice president of BRICS Bank, “BRICS Bank should not stare at immediate short-term interests, but build a framework for long-term development of next 20, 25, or even 30 years".\(^\text{12}\)

In the operating mechanism, BRICS Bank should grasp the balance between efficiency and quality, it is necessary to strictly control the quality of each project, but also to abandon complex business approval procedures of the multilateral financial institutions, reduce operating costs, and strive to create a flexible, efficient, transparent and convenient operation mechanism.

In the organizational structure, the management structure should be flat, avoid bureaucratic organization hierarchical governance structure, and create professional, international, vocational management team.

In the service model, while focusing on profitability, BRICS Bank shall put importance to inclusive development, not dictate or pose condescending attitude to the developing


countries and impose a variety of harsh lending conditions, but the attitude of the waiter to guide the object country how to better access to, and use the loans. Lou Jiwei, China's Minister of Finance, suggested that BRICS Bank should “pay attention to support services, in addition to providing financial support, the new development bank should also be committed provide high-quality support services to developing countries”.13

In the financing mechanism, BRICS Bank needs to build a multi-financing mechanism to enhance their hematopoietic capacity. “Actively develop local currency business, and provide member countries with stable and low-cost financing channels. At the same time, we should also extensively mobilize policy-making institutions, commercial banks and insurance funds to participate in infrastructure investment”,14 the financing function should not pursue too complicated financial instruments, but follow a simple, transparent principle. Stephany Griffith-Jones, director of financial markets of “Policy Dialogue Initiative” at the University of Columbia, argues that BRICS Bank should design a simple and transparent financial instrument. She believes, “complicated financial instruments have always been loved by investment banks, because it can hide the risk. But for the BRICS Bank, to pursue higher efficiency than the World Bank, and IMF, one way is to use simple, transparent financial instruments, and meanwhile may bear some business risks.15

In short, the development of BRICS Bank should be expected as the full name of “BRICS New Development Bank”, to develop infrastructure, focus on new energy, help green development, and promote sustainable development; to learn from the mature experience of international financial governance, reform abuses of multilateral development banks, and build a flexible, efficient, professional operation mode, to show the new image and new style of multilateral financial institutions in the 21st century.

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Chapter 2 Dragon and elephant dance: Sino-Indian cooperation under gold BRICS framework

China and India are still glittering when the BRICS economy is dim as a whole, and are the two major pillars of the “BRICS economic building”, as some media claim, it is the IC (India and China) that support BRICS. China and India as the two largest emerging economies in Asia, their cooperation is not only critical for building the BRICS mechanism, but also play a decisive role in the changes and trends of the world economic pattern.

I. A situation of beggar-thy-neighbor or dragon and elephant dancing?

Regarding to that the position of Sino-Indian economic relationship is “partnership” or “competitive relationship”, a report from India’s Economic Times is intriguing. As it reports, India's Prime Minister Modi called on bankers and entrepreneurs to his official residence to discuss "how to seize the opportunity of China's economic recession, to attract and benefit from foreign investment". Similarly, some senior Indian officials’ remarks are also puzzling. “China's current economic challenges show that the normal course of economic development in China has changed, which is a huge opportunity for India”, India’s Finance Minister, Arun Jaitley told BBC in an interview. 16 These reports are intended to show to the outside world: some Indian officials seem to gloating over China's economic downward trend. Although these reports are suspected to please some India's nationalists, also reflect the true state of mind of some Indian officials and scholars to some extent. In India, there are some politicians and academics viewing China's rapid development as a "threat" rather than "opportunities", thus thinking the Sino-Indian economic relations as a "competitors" rather than "partners." As China's former State Councilor, Bingguo Dai said, “Some people in India still have very deep doubts about us, taking us as potential opponents.”17

The reasons for this mentality are complex, but the main reason is the ill feeling of war due to the territorial disputes between the two neighbors. They believe that the

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16 http://news.ifeng.com/a/20150909/44617750_0.shtml
Chinese dragon’s flying brings more interest disputes and potential threats to India, they harbor the thinking of “one nation can't have two queens” to view interest and strategic conflicts between China and India when arising at the same time. Such concerns and thinking can be easily used to explain why some Indian officials and scholars take the “pressure time” for China's economic transformation as India's “opportunity”.

For the Sino-Indian relationship under the framework of the BRICS mechanism, some western officials and scholars also use the term “bedfellows” to describe the two Asian giants, who have historical problems and territorial disputes, and are difficult to live in peacefully for a long time in the BRICS group. China and India can only cherish their own thoughts and plans, and it’s difficult for them to form a joint force. Western countries do not want China and India to go closer. In particular, the United States tries to draw and use India as a hand to contain China in the “Asia-Pacific rebalancing strategy”. A report on China's military power issued by the United States, saying that China has continuously increased its strength on the Sino-Indian border, with the intention of provoking Sino-Indian relations. The Wall Street Journal also issued a document to render tension between China and India, saying “two suns rise in the East”, “India with more and more vigilant attitude, watches China’s establishment of a number of deep-water ports around India, and sale of weapons to its neighboring countries. New roads and tunnels are built through mountains, and will connect China to Pakistan, Nepal and Bangladesh.18

Japanese media also describe the positioning of China-India relations from a competitive perspective. “China’s competition threat is a catalyst that Indian reformers have been waiting for, and China's development is adding to the urgency of New Delhi”, said in a statement published by the Japan Times. The idea of Chindia, introduced by Indian politician Jairam Ramesh, is more like a fictional myth than a reality.19 Recently, China opposed India's accession to the nuclear suppliers group and China’s “One belt and One Road” strategy through the Kashmir region disputed between India and Pakistan have aroused the western media and scholars to challenge Sino-Indian

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18 http://www.cankaoxiaoxi.com/world/20160521/1166705.shtml
19 “Reference News” May 7, 2016, “China's development makes India increasingly feel of urgency ”
relations and “pour cold water”.
Between India and China is the “dragon and elephant fighting” or "dragon and elephant dancing”? In this regard, China has a clear understanding that China and India “harmony benefits while fighting will hurt both”. “India is a big country with great development potential and could become one of the major powers in the world in the 21st century”, China’s high-level management, experts and scholars believed, “India's huge domestic market is an important partner for China's opening up, and both sides should be sincere partners. Although there is competition between the two countries, there should still be an attempt to constantly expand the cooperation. In particular, it can’t be ignored of the strategic relationship between China and India.20
For the cognition of whether co-dancing or fighting between China and India at the big Asian stage, in despite of domestic debate in India, the rational and independent voice is the mainstream, not too much affected by the Western view, which thanks to Indian’s independent thinking culture and foreign policy of strategic autonomy. A typical example is that India does not want to join the United Nations cruise on the South China Sea lead by the United States. “India is a great, independent country, and in India's words, India insists on ‘strategic autonomy’ and knows what it can and can’t do,” says Bingguo Dai.21 “To develop the relationship with China, India's environment and Minister of State for Forestry Jairam Ramesh, proposed an idea of “China and India harmonization” (Chindia) as early as in 2004. He believed that although the competition exists between China and India, there is more extensive cooperation basis between the two countries as China has rapid development of the factory, India has excellent information technology skills, and the two countries should achieve their own interests through cooperation rather than dismantling each other. During a visit to China, India’s Prime Minister Modi also said, “India regards China as a great neighbor, and the two countries have great potential for cooperation. I hope to strengthen economic and trade relations between India and China and promote Sino-India cooperation to make new progress and drive the economic growth of the Asian and the world as well”.

21 The same as above, pp.295.
As for importance and the times’ significance of Sino-India cooperation, China’s prime minister, Keqiang Li, believed that the two most populous developing countries in the world, China and India, if strengthen cooperation and play complementary economic advantages, will not only become a huge engine of economic development in Asia, but will be a strong impetus to the world’s economic development. He pointed out that, especially in the context of the current weak world economic recovery, China and India as the two largest emerging economies, their economy maintains rapid growth, which encourage the world and drive the Asia as well.22

II. the Sino-Indian trade: in vertical view, a big step; in horizontal view, a less satisfactory

In vertical view, Sino-Indian economic and trade development was in a state of “freezing” due to territorial disputes and geopolitical factors, and India seemed to be "missing" when Chinese neighbors rushed to ride China's “economic express”. But since 2000, the Sino-Indian trade began to recover; the trade between the two countries grows by 29%, the fastest growth in the world23. In 2015, bilateral trade volume reached US $71.62 billion, up 39.4% from 2008. The Sino-Indian trade is showing great strides forward.24

In horizontal view, as the two “giants” in Asia, the Sino-Indian trade, regardless of the scale or growth rate, is not as good as that between China and Vietnam, or Thailand, which are much smaller than India. Trade between China and Vietnam increased by 3.9 times from US $19.46 billion in 2009 to US $95.82 billion in 2015. Trade between China and Thailand also increased from US $38.2 billion in 2009 to US $75.48 billion in 2015.25 In contrast, Sino-Indian existing trade size and growth rate is not commensurate with the great potential and mutual needs of the two countries”.26 India’s President, Mukherjee also expressed the same feeling. He said that Sino-Indian relations have made great progress, but still not make a full play.27

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22 http://news.xinhuanet.com/politics/2016-04/21/c_1118699991.htm
26 http://www.cankaoxiaoxi.com/world/20160522/1167656.shtml
27 http://www.cankaoxiaoxi.com/world/20160522/1167656.shtml
For the last three years, Sino-Indian trade cooperation almost kept stable as in 2013, bilateral trade amounted to 65.471 billion US dollars, year-on-year down by 1.5%. In 2014, bilateral trade recovered somewhat, trade volume reached 70.605 billion US dollars, up by 7.8% compared to the same period of last year and a modest increase in 2015, the bilateral trade reached US $71.62 billion, year-on-year up by 1.5% (see Table 1).

Although the Sino-Indian trade is still regarded as a “stable and healthy development”, compared with neighboring countries, especially ASEAN countries, Sino-Indian trade level is not satisfactory, the two countries failed to achieve the goal of 1,000 Billion US dollars bilateral trade by 2015 previously developed. India also fell to 11th place from China's eighth largest trading partner, which is obviously not in line with development need of the two countries as the Asian economy “new engines”.

Table 1 (2013-2015 Sino-Indian trade, sourcing from the Chinese Ministry of Foreign Affairs website)

<table>
<thead>
<tr>
<th>Time</th>
<th>Trade volume (100 million US $)</th>
<th>Year-on-year growth</th>
<th>China’s export to India (100 million US $)</th>
<th>China’s import from India (100 million US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>654.71</td>
<td>-1.5%</td>
<td>484.43</td>
<td>170.28</td>
</tr>
<tr>
<td>2014</td>
<td>706.05</td>
<td>7.8%</td>
<td>542.26</td>
<td>163.79</td>
</tr>
<tr>
<td>2015</td>
<td>716.2</td>
<td>1.5%</td>
<td>582.4</td>
<td>133.8</td>
</tr>
</tbody>
</table>

III. Sino-Indian trade patterns obsolete and imbalanced in the structure

From the trade model, the Sino-Indian trade is still in a resource-based, labor-intensive, and industrial products dominated traditional trade model, doesn’t make a breakthrough toward the “wide-area, high-tech and sustainable” direction. China’s export to India includes mechanical and electrical products, chemical products, textiles, plastics and rubber, ceramics and glass products. China's main imports from India are iron ore, chrome ore, precious stones, copper and precious metals, vegetable oil, cotton and textiles. From the investment and project contract, India is not China's major investment country and the main target country for foreign contracts.
From the trade structure, trade imbalance has been one of the major obstacles to bilateral cooperation. From Table 1, the import and export trade between China and India for three years shows that there is a huge trade deficit in the bilateral trade. According to the Confederation of Indian Industry, the trade between China and India has been growing at a faster rate every year since 2007. Regrettably, India’s trade deficit to China also increased by the same rate. According to Reuters, figures from 2015 to 2016 clearly show that India's exports to China fell by as much as 24%. The long-term trade deficit has not been resolved and brought a negative impact on the healthy development of Sino-Indian trade, which is reflected in growth of the Indian anti-dumping cases of Chinese products. According to statistics, for 20 years, India's anti-dumping cases increase with an average annual growth rate of about 11%, with harsh means and industry concentration, the chemical industry has become the hardest hit. Scholars from both countries have predicted that India's anti-dumping measures against China will be further aggravated by the fact that the industrial structure of China and India are similar and the stage of development is getting closer and closer, so that trade disputes and frictions between the two countries will only increase.

IV. Multiple factors expand the vast space for cooperation between China and India

First of all, the intrinsic impetus of Sino-Indian cooperation grows, especially in terms of India. Modi was highly elected as prime minister because of a key factor, the economic expert. After taking office, Modi is committed to the "economic priority" policy, and the implementation of the “look to east” strategy now upgraded to “act in east” strategy, and to achieve India's “economic take-off”. Therefore, despite the existence of some disputes and suspicions between China and India, but Modi’s government will not dwell on this, but to tighten the ties of cooperation between the two countries with the reformer’s political wisdom and broad strategic thinking. Modi said publicly that China will no longer miss the opportunity China’s "Economic

28 August 23, 2016 Reference Information, Issue 30760, “China and India are working to strengthen economic and trade cooperation and cultural exchanges”
29 http://www.cssn.cn/xk/xk_wtbl/201501/t20150128_1495137.shtml
Express” brought and take China’s development as a driving force to promote the development of India.

Secondly, the cooperation platforms between China and India are increasing day by day. With the vigorous development of regional cooperation and sub-regional cooperation, Sino-Indian cooperation can utilize more and more multilateral cooperation mechanism, including BRICS cooperation mechanism, Sino-Russian dialogue mechanism, Bangladeshi-China-India-Burma economic corridor, which provide platforms and hands to expand the cooperation scope and deepen the connotation of cooperation.

Taking the BRICS cooperation mechanism as an example, this mechanism provides a good channel for the settlement of disputes between China and India, and has achieved substantial results. For example, for the protectionism problems that plague bilateral economic and trade cooperation, BRICS cooperation has become a useful channel to break the bottleneck. According to statistics, since 2010, with the BRICS cooperation to start and go deep, India's anti-dumping cases for China have declined, the number of cases each year is not more than 7.30

Thirdly, China and India have a huge space of complementary advantages. As neighbors, China and India should produce “proximity” effect by virtue of each other's advantage. China has developed for more than 30 years and accumulated a wealth of technologies, talents, capital and other advantages in the fields of infrastructure, equipment manufacturing, and real estate. China is increasing investment in India, China's Wanda Group, Shanghai Automotive Group, and Xiaomi technology group invest in India, and intend to set up “Industrial Parks” and other projects in India. According to statistics, by the end of 2015, China has signed a total contracted amount of US $65.78 billion in India, with a turnover of US $44.01 billion.31 In 2015, during Modi’s visit to China, the two countries signed a “gift list”, China and India reached 24 cooperation agreements, including construction of railways, resource development.32 China promised to invest 20 billion US dollars in India over the next five years. These

30 Ibid;
32 http://comment.cfisnet.com/2016/0506/1304670.html
achievements provide a solid guarantee for Sino-Indian cooperation to “shift speed” in future. India is willing to see its information technology and related services, pharmaceuticals, pharmaceuticals and agricultural products have a bigger market in China, although the trade deficit between the two countries is a worrying issue, India’s President Mukherjee said.33

V. Future Sino-India cooperation: wide field, great potential, deep impact

As an emerging world power, China and India will make their cooperation with the influence and effect beyond than bilateral scope and become more and more significant in the world. The scope of Sino-Indian cooperation is far beyond the economic and trade fields, and its geo-strategic significance is becoming more and more prominent. It should be said that at the global governance level, “If the two countries speak with a voice, the whole world will listen to”.

Sino-Indian cooperation is geo-strategic, not only because China and India are the two giants in Asia, but also because the blending and collision of their development strategies are directly related to the prosperity and stability of Asia and the world. As territorial disputes remain unresolved, the two rapidly emerging Asian neighbors are exceptionally sensitive to their strategic orientation.

China’s “One belt and one road” strategy and India’s “Indian Ocean Strategy" is a docking or collision is concerning. The Sino-Pakistani economic corridor is an important component of the “One belt and one road” strategy, which traverses the territory of Kashmir disputed between India and Pakistan, causing anxiety, suspicion and controversy in India. China's construction of the ports along the Indian Ocean has given rise to speculation and hostility in India. The so-called “pearl chain” surrounding India has aroused the alertness and hostility of the Indian military. So far, India is cautious about the “One belt and one road” strategy. For example, B.R. Deepak, a famous Chinese expert at Nehru University put forward a lot of questions long ago: “One belt and one road” strategy not only arouse people’s expectations, but also raise

33 http://www.cankaoxiaoxi.com/finance/20160527/1173379.shtml
doubt of people about China. Brahma Chellaney, a strategic research professor at the Center for Policy Research in New Delhi, believes that the “One belt and one road” strategy is not just a trade agreement, but a repackage of China’s ‘pearl chain’ strategy.

These remarks show that India has controversy and doubt about the strategic intentions of the “One belt and one road”. Some “suspecting of China” and officials and scholars “hostile to China” understand the strategy beyond the economic latitude and longitude but point to the military field. The success in strategic docking of the Sino-Indian development is directly related to the prosperity and stability of Asia, especially South Asia. In this regard, Jinsong Liu, diplomatic official at the Chinese Embassy in India, made it clear that China’s “One belt and one road” is not a private road but a bright road of cooperation and win-win. There is nothing to hide the geopolitical attempt, and the so-called China’s “pearl chain strategy” in Indian Ocean to contain India is unfounded. The “pearl chain strategy” is an invented and imagined term, sowing dissension won’t have a place and neither necessary for suspicion. China and India should become good partners in ocean cooperation. Modi has publicly stated that China proposed “One belt and one road” strategy, India is also interested in strengthening interconnection in South Asia. Both sides can strengthen cooperation and jointly promote the prosperity and stability in South Asia.

Some Indian scholars also don’t believe to exaggerate the negative effects of “One belt and one road” on India, but understand from the “opportunity” and “cooperation”. For example, Vijay Middot Huga from India Institute of Peace and Conflict believes that China’s “One belt and one road” provides a lot of opportunities to India, which help India reduce its the technology gap in maritime infrastructure. In their views, India's response to China’s “One belt and one road” invitation is in the interests of India. China and India are both important actors in global security. Therefore, the two countries

34 http://www.cf10.cn/cjyw/jjpl/20150616/92596.html
36 http://news.cri.cn/20160517/61fd06a-40b4-f2b3-9aa2-b534134324ae.html
37 Ibid;
38 http://opinion.hexun.com/2015-06-16/176757226.html
need to strengthen strategic dialogue to prevent miscarriage of justice, and enhance mutual trust. For sensitive issues, to establish hotlines and make timely communication, and be aware of the media’s “kidnapping”, so as to cool down the hot issues, and indeed maintain border security and stability.

Sino-Indian cooperation has a global impact, not only because China and India as the emerging powers have a huge “volume” and great developmental “potential”, but also because they joint to tackle global problems indispensably. On major international development issues such as 2030’s sustainable development agenda, and climate change, the importance of Sino-Indian cooperation can be seen. On May 15, 2015, China and India issued a “Sino-Indian Joint Declaration on Climate Change”, which said, “As the two largest developing countries, despite facing great challenges in social and economic development and poverty eradication, China and India are adopting ambitious domestic action to address climate change through the development and implementation of mitigation and adaptation plans, policies and measures”. The international community generally agreed that the “Sino-Indian Joint Declaration” had laid a solid foundation for a historic agreement on the Paris climate change conference.

In terms of global financial governance, the role and influence of China and India in enhancing the centripetal force of developing countries have become more prominent and outstanding. Sino-Indian cooperation has successfully promoted the reform of international financial governance institutions, effectively promoted representativeness and speech right of developing countries in global financial governance and has made important contributions for the democratization and legislation of international relations.
Chapter 3 Crisis Overlay: BRICS member Brazil moves haltingly

In 2016, BRICS’s member Brazil cast a thick layer of haze: economic downturn, political contend, social turmoil mixed and fermented, the inherent structural contradictions and external interference factors intertwined, Brazil became the most violent country among the BRICS countries, called by media as “baked gold brick Brazil”.

I. Brazilian economy was in “a cliff-like drop” trend

Brazil's economy is particularly severe in recent years. In 2010, the Brazil’s economy rebounded in the global financial crisis, with the economic growth of 7.5%, hitting the highest record since 1986. However, since 2011 Brazil’s economic situation has been declining, with an average annual growth rate of less than 2%. In 2014, Brazil's economic growth was only 0.1% and in 2015, the economic growth was down to -3.8%. Brazil’s economy is almost in a “cliff-like drop” trend. Brazil's economic development in 2015 hit a number of “the most”: the economic situation is in the most serious economic recession for 25 years; financial deficit amounted to 10.3% of GDP, fiscal performance worst since 1997; the federal government’s real tax decreased by 5.6% year on year; unemployment rate, 8.5% and unemployed population, 8.59 million, hitting the highest record in the past three years. The federal government’s public debt totaled 2.79 trillion real, up by 21.7% year on year, hitting the highest value since 2006. The retail industry shrank by 4.3% throughout the year and declined to the lowest level since 2001. The latest data show that in 2016, the Brazil’s economy will decline by about 3%, indicating that Brazil will happen to two consecutive recessions for the first time since 1930.39

II. Three major international rating agencies maintain a negative outlook on Brazil’s economy

On February 24, 2016, Moody, an international rating agency, issued a report on

Brazil’s sovereign debt credit, rating from the last level Baa3 of “investment grade” down two levels to the Ba2 “speculative” level and maintaining a negative outlook. Standard & Poor's report on February 17, 2016 rated Brazil’s sovereign credit from “BB +” down to “BB”, also with negative outlook. The report said that Brazil faces greater political and economic challenges, and expected that the economy would continue to shrink severely in 2016. On May 5, 2016, Fitch, another international rating agency, rated Brazil's sovereign credit from BB + down to BB with negative outlook too. Fitch predicted that the Brazil’s economy in 2016 would decline by 3.8%. At this point, three major international rating agencies: Standard & Poor's, Fitch and Moody's, have Brazil's credit down rated to the “speculative level” within half a year. In latest global competitiveness rank list release by the World Economic Forum, Brazil, the largest Latin American economy, failed to reach the top five in the region. On October 16, Brazilian President Temer said at the Goa summit, the new government introduced the fiscal reform policy has been effective, and the economic indicators began to improve, the economy has been back on track. However, the Brazil’s central bank released a report forecasting that this year the Brazil’s economy will decline by 3.3%, with inflation rate of 7.3% and be expected to achieve 1.3% of growth next year.

The data and reports above show that the Brazil’s economy declines deep has fallen to the bottom. And the economy is hard to rebound sharply in the short term.

III. Left and right forces intensify the turmoil

In 2016, the Brazilian political arena chaos like a “pot of porridge” and left and right forces fell into a big scuffle: Speaker of the House of Representatives was removed from office, President Rousseff was impeached, the new President Temer was suspected of corruption, indicating that the ruling prospects are full of challenges and uncertainties. After Rousseff was impeached, the Brazilian political situation was not as predicted to “the political turmoil thus ending”. The spillover effect of oil corruption continued to spread, former President Lula was accused of alleged bribery, but Lula flatly denied and claimed that the “political motive” of the accusation was obvious and was intended to prevent him from election of the president in 2018. Brazilian politics fall into the
“fighting” period, and the situation becomes intricate. Left-wing said the impeachment case was a “parliamentary coup”, Temer as “usurper”, not only was unpopular, but also greatly damaged the Brazilian democratic system. Therefore, the left-wing Labor Party will not let go, on one hand create public opinion at home and abroad, condemning that the impeachment violated of the Brazilian Constitution; on the other hand, the left-wing appealed supporters to boycott the new government, protest against Temer, and asked to start over the general elections. Brazil's protest marches have increased in size and intensity, breadth and frequency, and the demands of the demonstrators show diversity, the demonstrations are still combinations of spontaneous sand industrial strikes. Twitter and Facebook and other modern media have become new organization mobilization tools for social movement. Frequent demonstrations in Brazil show that its economic and social development has entered a period of conflict-prone and high incidence and social movements have become norm.

IV. Falling into the quagmire is no accident
Although Brazil's continued economic recession is related with the difficult-to-recover world economy, and also with the global commodity prices’ declining, the fundamental reason for the Brazil’s economic downturn is lack of their endogenous economic motivation. Brazil experienced rapid and extensive economic development and failed to change the economic structure in time, causing a situation that the industry upgraded slowly, technological innovation lags behind, and the international competitiveness weakened. Therefore, the Brazil’s economic predicament fundamentally results from a long-standing imbalance in the structure of the economy. The premature de-industrialization led to the loss of competitiveness of the entire country, and the trade structure of over-reliance on primary products sector could not stand the storm.40 The so-called “New policy”, Rousseff introduced when in his position, was only an expedient measure, did not timely adjust the economic and fiscal policies, or innovate taxation system. “Fire-fighting” type of economic reform and design didn’t bring a new

40 http://gb.cri.cn/42071/2015/02/13/2165s4874483.htm
impetus to Brazil’s economy, or fundamentally improve the lagging trend that Brazil’s economy lagged behind to adapt to global economic change and competition. Today, the feeble “troika” as weak domestic demand, decline in export, and lack of investment resulted in that Brazil's economy was shaky and Brazil, has the most hope of becoming the first Latin American country to get out of the “middle-income trap” is difficult to do so.

The economic sluggishness, officials’ corruption and the rampant politics on the streets are only the representational factors of political instability in Brazil, and there is more complex political ecology changing behind it. The contrast between Brazil's political forces isn’t as simple as a confrontation of left-and-right forces, it includes not only the “wealth-to-poverty confrontation” between the industrial and commercial strata of the social structure and the middle and lower strata, but also the “north-south rivalry” between rich and underdeveloped areas, and the differentiation and combination of the majority of “middle class”. The “clientialism” prevailing in Brazil's political arena makes the political parties struggle one after another, the political system is mixed with the defects of the American presidential system and European traditional monarchy, lacking the balance of power, leading to the lag of the reform of the existing power governance, failing to fully reflect the fragmentation of political forces, neither reflect the right to speak and representation the middle class should have. As a result, Brazil's complex political ecology and economic weakness from the West interacts with a more complex system of democracy than the West, making it difficult for Brazil to eliminate chaos in political disputes, economic downturns and social unrest.

V. Time and wisdom for getting out of the crisis

Financial market analysts have forecasted that Brazil’s economy in 2016 will decline by 3.88%, Brazil will face 11 million people unemployed, 10.67% of inflation rate, 100 billion real (about 184.1 billion RMB) deficits. On March 1, 2016, the Brazilian government issued an annual budget report, forecasting that in 2016 Brazil’s economy

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41 http://news.cri.cn/20160520/61f8e9b6-4b27-350e-b4b1-18a62d0a1d14.html
will shrink by 2.9%, with inflation rate of 7.1%. Brazilian National Geographic Statistics data show that in January, the Brazil’s industrial output fell by 13.8%, hitting the largest decline since 2009. Automobile production, machinery and equipment, ore mining, and metal smelting have fallen sharply. It’s analyzed that the current market demand in Brazil is sluggish, people's income declines, industrial growth continues weakness and the economic situation is not optimistic. Brazil's economy has actually entered the “long-term low-growth stage”. The governor of Brazilian Central Bank also admits that Brazil’s economy is experiencing a typical “cyclical down”. International rating agencies predict that until 2017, Brazil’s economy can farewell to negative growth and reach 0.5%.

At present, the ruling party is facing how to deal with the deep-seated contradictions of economic and social development: how to seek the coordination and balance of economic growth and social justice in the new policies; how to adjust the economic structure and transform the economic development under the background of the deepening development of globalization; to improve the international competitiveness, and to adapt to the requirements of globalization for countries to optimize their industrial structures and the development of high-tech industries. How to adjust the structure of Brazil’s economic and social development in order to adapt to changes in social structure, and meet the political demands, economic interests and social security of the middle class. Moreover, it needs to adjust economic policies, expand investment, push investment-oriented economic restructuring, boost market confidence, optimize the industrial structure and improve innovation ability. Brazilian people are also eager for the new government to increase reform efforts to lead Brazil out of the economic downturn, and walk forward to the “global power” in all around.

Chapter 4 No collapse: Russia’s economy goes through the most difficult period

Although the economic factors are not a major factor that the Goldman Sachs
considered originally about Russia as one of the BRICS Group, Russia as a traditional big country, its economic development trend is still the important indicator by which the international community judges its strength and strategic development. As expected by the international community, the Russia’s economy experienced a second recession year in 2016, but with the rise in oil prices and the strengthening of Sino-Russian economic and trade cooperation, the Russia’s economy is not previously expected “the most pessimistic desperate year”, and a positive momentum to recover instead. As Putin said, Russia’s economy did not appear “collapse” serious crisis, in contrast, accumulated enough strength to get out of the crisis. “Although Russia has not stepped out of the crisis, it has indeed passed the peak of the crisis and is expected to recover modest growth in 2017”, he said.

I. Trend of oil price: a key factor for Russia's economy

Energy industry is a pillar industry of the Russia’s economy as 70% of exporter lies on oil and gas, the economy is almost “kidnapped” by oil. Russia is a typical “oil economy” country. Therefore, the fluctuation of international oil prices directly is related to the rise and fall of the Russia’s economy, such as the Russian economist Oleg Kouzmin said: “The Russia’s economy depends on oil, oil, and oil”.42

In 2015, as the international crude oil prices fell, ruble devaluated, the Western made sanctions, these factors superimposed made the Russian economy suffer the most serious difficulties since 2008. Relevant data show that the Russian fiscal balance line is that the oil price must be maintained around US $105 a barrel, so once the oil price fell below 30 US dollars, it can be described as “disastrous” blow to the Russia’s economy. Russia’s Prime Minister Dmitry Medvedev in the “Russia and the world” forum, said the Russia’s economy in 2016 is going to make the worst plan and Russia has to prepare for oil prices falling to 25 dollars a barrel. Many senior officials of Russia are also pessimistic and believe Russia’s economy will face a major recession in 2016. To this end, Putin also called the national “tighten their belts to live with”.

However, in May 2016, due to international oil prices rebounded, the International Monetary Fund (IMF) raised its expectations for the Russia’s economy. The IMF expects the Russia’s economy to fall by 1.5% in 2016, but grow 1% in 2017. However, in the previous month, the IMF’s forecast was Russia’s economy would decline by 1.8% in 2016 and would grow by 0.8% in 2017. IMF unregulated the expectation for Russia’s economy based on the main facts: the agency believed that the average oil price in 2016 would reach 41 US dollars per barrel, rather than the previous forecast of 35 dollars; in 2017 the price would reach 47 dollars, rather than the earlier forecast of 41 dollars. In fact, the international oil prices grow higher than the IMF’s expectations. As of October 10’s stock closing, the New York Mercantile Exchange, the price of light crude oil delivered in November raised US $ 1.54, closed at $ 51.35 a barrel, up by 3.09%. The price of London Brent crude oil delivered in December futures prices raised US $ 1.21, closed at $ 53.14 a barrel, up by 2.33%. (The crude oil price movements in 2016, refer to the following figure)

In addition to benefits from rising oil prices, the Russian agriculture also had good performance, food production and export grew sharply. The industry also appeared to recover and went up by 0.4% from January to June. “Currently, Russia’s economy is in a bad situation, the overall situation has not been improved, but the momentum is positive”, Putin said, “The Russian government expects that in 2016 GDP may fall by

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43 http://www.cankaoxiaoxi.com/finance/20160521/1167074.shtml
44 http://www.ferts.cn/economy/caijingxinwen/201610/2455.html
45 http://oil.dwu.com/
0.3%, but in 2017 the economy will show a 1.4% of growth".46

II. Get close to China: open the gap in Western sanctions

The United States and the Europe used the Ukrainian crisis to suppress Russia by implementation of economic and financial sanctions against Russia with an attempt to hit the Russian economy to force Russia to give in. But the effect of sanctions is limited, one important factor was that China and Russia are approaching, and deepen cooperation. At the key nodes China and Russia helped each other as if there is a large gap in the eastern part of the Western encirclement to Russia.

At present, Sino-Russian comprehensive strategic partnership is in the best period in history, called the “golden age”. Russia is one of China's top partners in China’s “non-aligned partnership”. When the Western continue to squeeze the Russian strategic space by comprehensive use of political, economic, diplomatic and other means, the largest neighbor and member of the same BRICS group, China timely gave a “friendly” hand. Especially when Russia’s economy fell into a “desperate” occasion due to the Western sanctions and continuous decline in oil prices, Sino-Russian cooperation in the field of Russia's economic vitality bucked the trend and achieved tangible results in natural gas, coal, and electricity. For the past five years, Russia’s oil exports to China have doubled, with an average daily increase of 550,000 barrels.47 Russia has replaced Saudi Arabia as China's largest oil seller. China Customs data show that in April 2016, China imported 4.86 million tons of crude oil from Russia, an increase of 52.4% year on year. In June 2015, the China's part of Sino-Russian natural gas pipeline project was officially started, and the west line natural gas project is under active discussion. In November 2015, China paid 996.5 billion rubles to the Russian for advance payment of crude oil, which was nothing less than a timely help for the Russia’s economy in trouble.48 In addition, the Chinese and Russian oil companies signed a long-term contract on increase in supply of crude oil, and agreed to Russia in the next 25 years

47 http://finance.ifeng.com/a/20160602/14451584_0.shtml
48 http://www.ccpit.org/Contents/Channel_3743/2016/0106/557170/content_557170.htm
will supply 365 million tons of oil, with the total value of up to 270 billion US dollars.\textsuperscript{49}

When the ruble continued to decline against the US dollar, China and Russia discussed to expand the currency exchange mechanism and intended to use the RMB for trade between the two countries. Russian media described it as a “savior action” to help the Russia’s economy out of the crisis.\textsuperscript{50} In 2016 May, Russian Natural Gas Industrial Company announced that it will receive 2 billion Euros of loans from China. The deal is by far the largest amount of direct loans the company has received from a single financial institution. Huge loans can be called as “blood transfusion” for Russia’s economy in trouble.\textsuperscript{51}

China has become Russia's largest trading nation for five consecutive years. In 2015, the trade volume between China and Russia declined somewhat compared with that in 2014, but the trade range has been widened, and the economic and trade cooperation has broken through the energy field and expanded to nuclear power, high-speed railway, airplane manufacturing, and scientific and technological innovations to promote the transformation and upgrading of Sino-Russian trade. The agricultural cooperation between the two countries has become a new bright spot as China's exports of fruits and vegetables and pork to Russia increased significantly, Russia's exports of corn, soybeans, rapeseed to China also increased significantly. The agricultural cooperation effectively alleviated the pressure from Russian agricultural exports due to the sanctions imposed by the Western. Large cooperation projects in multiple fields, and large orders bring positive momentums for Sino-Russian investment. The Silk Road Fund invested 730 million euros into the Russian Yarmal LNG project. The two countries decided to cooperate in the implementation of a total length of 770 km of Moscow - Kazan high-speed railway project, for which the Silk Road Fund was a major investor. Russia and China agreed to jointly develop heavy-duty helicopters and wide-body aircraft, to realize the combination of Russian technology and Chinese capital.\textsuperscript{52} The pattern of Sino-Russian economic and trade cooperation is changing from a single energy

\textsuperscript{49} http://finance.ifeng.com/a/20160602/14451584_0.shtml
\textsuperscript{50} http://china.cankaoxiaoxi.com/2014/1230/613331.shtml
\textsuperscript{51} http://hlj.china.com/focus/top/11155803/20160524/22723188.html
\textsuperscript{52} http://www.ccpit.org/Contents/Channel_3743/2016/0106/557170/content_557170.htm
cooperation to a three-dimensional cooperation pattern of trade, investment and technology.

The joint of the “One belt and one road” strategy and the “Eurasian Economic Union” brings new opportunities for China and Russia to deepen interest integration. The two countries signed the “Joint Statement on Combination of the Silk Road Economic Zone Construction and Eurasian Economic Alliance Construction” and paved the way for docking of the “belt” and the “alliance”, as well as draw a blueprint for the transformation and upgrading of Sino-Russian cooperation. In this strategic docking framework, “Made in China 2025” and Russia’s “Innovation Strategy 2020”, through innovative cooperation model to optimize the bilateral trade structure, and promote the pragmatic cooperation between China and Russia into a new track.53

III. The strength still exists: BRICS’s Russia worthy of the name

15 years ago, when Goldman Sachs ranked Russia among the BRICS, academic circles and politicians were in dispute. Now Russia’s economy falls into trouble, the international community has much questioned whether Russia eligible to stay in the BRICS group for its GDP is only slightly more than one of China's developed provinces. In fact, from the proposal of conception of the BRICS countries, the economy is only one of the indicators. Goldman Sachs consider their qualifications more from their comprehensive strength and development potential. A “giant” in the region, having a vast territory and abundant resources, the world's top hard and soft power are the common characteristics of the BRICS countries. Russia is unique as it has the world's largest land area across Eurasia and is born out of the superpower Soviet Union striving for the bipolar hegemony. Today only one dares to challenge with the United States in the military strength, Russia plays a very unique role in the global power structure. As said Simon Saradzhyan, a researcher at Harvard’s Belford Center for Science and International Affairs, “One thing is certain: Russia’s land size, resources, and military strength ensure that it still plays a global role and continues to affect the Western world.

53 http://www.ccpit.org/Contents/Channel_3743/2016/0106/557170/content_557170.htm
and even the global order in the next few years profoundly. Russia should be commensurate with its strength.\textsuperscript{54} “Former Chinese State Councilor Bingguo Dai also said with deep feeling, “Russia is a big country in the world that can’t be ignored, one of a few big countries with strategic capacity. Despite facing some difficulties, Russia has vast land and abundant resources, strong foundation, and talents as well. Its development prospects should not be overlooked”.\textsuperscript{55} Russian Foreign Minister Lavrov also agreed with the qualifications of BRICS countries are not limited to economic factors, “‘BRICS countries’ have the world's strongest (in some cases, unique) resource potential, huge internal markets and labor resources, meanwhile commit to prioritize development of high-tech fields.\textsuperscript{56} Indeed, the economic recession for three consecutive years shadows Russia's golden BRICS halo, but Russianded by the strongman Putinhas achieved for more than a decade of growth after all. According to the analysis, since 2014, three years of recession has not yet shaken Russia’s economic base accumulated more than a decade. The World Bank estimates that three years of recession will not offset Russia's accumulated strength since 1999.\textsuperscript{57} Although the Western media cited a variety of data to show that Russia under the rule of Putin fell into recession, mocking Putin's rhetoric to construct a powerful nation. But the facts before the international community are “so far in the 21st century, relative to Western competitors and the world as a whole, Russia enhances or retains its position”.\textsuperscript{58} “BRICS can’t do without Russia, to construct a new global order is indispensable from Russia.

\textbf{Chapter 5 Mechanism Transformation: BRICS Deep Ploughing Global Governance}

Although some BRICS countries have been questioned about their qualifications by the
outside world because of the economic recession, and political turmoil, the BRICS mechanism doesn’t make a mess when facing “bad-mouthing”, but instead the mechanism construction become more and more mature, and colorful, which thanks to BRICS leaders’ broad and far-reaching strategic positioning of the BRICS mechanism and the mechanism transformation adapting to the changing times: in international affairs, as a representative of emerging economies, BRICS make a voice for the legitimate interests of developing countries, take full participation in global governance and are committed to create an inclusive, orderly and open world economic environment, build a new world order of democratized international relations and legal international governance, more just and fairer.

I. To expand the representation: from emerging economies to the representatives of all developing countries

BRICS is undoubtedly as a representative of several emerging power countries stepping on the international stage. However, if the BRICS only make for their own interests, the BRICS countries are difficult to compete with the developed countries for the dominance of the new international order and the right to speak in international affairs. BRICS’s economic strength is therefore also difficult to translate into international institutional power, and BRICS’s influence in global governance will be greatly bound, and ultimately come down as many international multilateral mechanisms due to narrow interest differences, like the "leaders’ showing arena” or the “empty talk club”. Therefore, the vitality and sustainable development of BRICS mechanism lies fundamentally in representing whose interests and making profits for whom.

In fact, at the beginning of the first BRICS summit, some developing countries had doubts about the new mechanism. In particular, those countries competing for regional dominance, such as Argentina, Nigeria and Egypt, were puzzled over representativeness of the BRICS cooperation mechanism, thinking it covers only a few major emerging powers, and many developing countries were not involved in them. They complained that in the historical process of transformation of the world power
pattern and formation of a new international order, the BRICS group bargained with developed countries to reshape and share the global interest mechanism. During formation of the new interest mechanism, many developing countries were marginalized. Developed countries and the BRICS countries had sacrificed the interests of other developing countries.

For these worries and complaints, and in order to avoid falling into the pitfalls of "cultivating own yard", the BRICS mechanism needs to transform timely and make effort to position the BRICS’s representativeness, clarify the BRICS’s interests and break through the narrow framework of BRICS as emerging powers to look at and voice for the vast number of developing countries, place the developmental issues that developing countries are most concerned about on a prominent position of the BRICS, and strive to narrow the development gap. As said Yi Wang, China’s foreign minister, “The BRICS mechanism not only bears expectation of the people of the BRICS, but also the expectation of the people of the emerging market countries and the developing countries."

To this end, the Golden BRICS Summit has formed a “BRICS + N” form of leaders’ dialogue, that is, during the summit, will be hold a dialogue between the leaders of BRIC countries and host developing countries. For example, during the Fortaleza summit, BRICS countries held a dialogue with South American leaders. During the Ufa summit in Russia, the leaders of the BRICS countries held meetings with leaders of EEA member countries, SCO members and observer countries. During the Durban summit in South Africa, a dialogue was held between the BRICS’s leaders and African leaders; during the Goa Summit in India, a dialogue held between the BRICS’s leaders and the leaders of the multi-disciplinary economic and technological cooperation initiatives member countries around the Gulf of Bengal. The “BRIC + N” leaders’ dialogue showed that the BRICS don’t separate themselves from other developing countries as emerging powers, on the contrary the BRICS countries are still developing

59 http://www.fmprc.gov.cn/web/wjbzhd/t1399252.shtml
countries, having the same aspiration in the process of reshaping the international order as other developing countries do. It is also a rising force in the international pattern. As the emerging power in the international situation, they have a common goal of accelerating development, safeguarding its own legitimate rights and interests and pursuing its own development path and promoting a more just and reasonable international order. Looking back all previous summit declaration and achievements, the BRICS mechanism has always been caring about the vast number of developing countries, especially the Africa and the least developed countries.

II. Deep ploughing the global governance: turn from economic cooperation to shaping the new global order

After the BRICS’s concept came out for eight years, the BRICS’s leaders held their first summit, from the outcomes, the focus of BRICS cooperation was how to deal with the world financial and economic crisis, to promote the reform of international financial institutions, so as to better safeguard the interests of emerging economies and developing countries in the context of global financial crisis continuing to ferment and the BRICS as the representative of emerging economies to discuss the urgent issues the global economy. It could be seen that the BRICS mechanism is basically a short-term mechanism for dealing with the crisis when it was initially formed. With the international situation and the world economy changing, the BRICS mechanism construction is also adjusted to adapt the times, and gradually transiting from the short-term risk response mechanism to the long-term cooperation mechanism for global governance.

Changes in the declaration of outcomes of subsequent summits also reflected transformation and deepening of the mechanism. The first summit resulted in 16 statements only, and the number of statements of the recent Ufa summit increased to 77, and for Goa Summit, up to 109 statements. The statements cover all aspects of global affairs, from traditional security to non-traditional security, from political dialogue, economic cooperation to civilized exchanges, from global hotspot issues to global difficult issues, from global strategy to geopolitics, almost all aspects of global
governance.

Today, the global governance system has not fully adapted to the reality of the group rising of developing countries, also far from the great changes in the world political and economic territory, the BRIC countries thus have determined to expand the breadth and depth of participation in global governance with the goal of “equal participation, equal consultation and equal decision-making”, sitting with developing countries around the negotiation table. This shows that emerging economies are unwilling to remain marginalized in major adjustments of the international order and determine not to let the Western developed countries continue to dominate the international order in the new century. The BRICS countries work together to speed up transformation of the economic strength into international institutional rights, competing for the right to formulate the international rules. During the G20 summit in Hangzhou, the BRICS’s leaders held an informal meeting. A media statement issued after the meeting pointed out that the current status of the International Monetary Fund's share does not reflect the current changes in the global economic powers, fairly unfair to reflect the positions the emerging economies and the developing countries shall be deserved to. To this end, the leaders of the BRIC countries called for a further increase in the IMF's shares, and a new assessment of quotas and voting rights as to complete the 15th round of general review of shares before the IMF's annual meeting in 2017, including completion of a new quota formula. The BRICS Goa Summit called on the Europe to honor its commitment to make two seats on the IMF's Executive Board.

At today's global governance stage, G7 are reluctant to withdraw but still want to continue to play a leading role, however, their scenery is no longer, the BRICS as a star come out gracefully, constructively participating in various traditional and non-traditional security dialogues and consultations, providing an approach different from that of developed countries to address a variety of difficult and hotspot issues. Such the program of “peace and political settlement” makes the international community refreshing. Russian Foreign Minister, Lavrov said that the “moral prestige” was a

http://www.fmprc.gov.cn/web/wjbzhd/t1399314.shtml
powerful weapon of the BRICS. The BRICS countries should persist in their position in the international and internal conflicts and disputes, and “introduce various models of negotiations to solve the problem”\(^6\). The BRICS’s deep involvement in global governance has become a prominent feature of the evolution of today's international landscape. With promotion of the BRICS countries, the global governance system has been unprecedentedly strengthened in the representation, equality, and effectiveness\(^6\).

\(^{62}\) http://www.fmprc.gov.cn/web/wjbzhd/11399252.shtml
Chapter 6 Exploitation and Innovation: Exploring New Approaches of BRICS Cooperation

The success of the BRICS multilateral mechanism lies in its characteristics, while the sustainable development lies in its constant innovation and execution. The BRICS countries are working to broaden the areas of cooperation, explore the establishment of more groundbreaking dialogue mechanisms and governance institutions. Following the new ideas to set up the “BRICS Rating Institution”, the “BRICS Communication Agency” and the “BRICS Network Security Expert Group” proposed last year by the “BRICS Think Tank” of the China and the World Economic Center, Tsinghua University, the organization continues brainstorming and suggests the following policies this year, providing an intellectual support for China to hold a successful BRICS Summit in 2017.

I. Work together to strive for 15% of IMF's veto

After nearly six years of procrastination and waiting, the IMF 2010 reform program has been finally implemented. The voting power of emerging economies gained by about 6%, where China's voting power rose to 6.068%, ranking the 3rd place. India, Brazil, and Russia also enter into top three, while the US’s voting power dropped slightly to 16.47%, but still have the veto. (See Table 1 and Table 2). Although the IMF committed to constantly improve the share and governance structure, but from the last round of reform encountered pullback from the United States Congress for five consecutive years, the BRICS countries have big difficulties to obtain more voting power in future. Developed countries, especially the United States is unwilling to lose its monopoly position in the IMF, it was a last resort of the United States eventually agreeing to enhance the BRIC countries voting, in despite of concessions, which was only controlled in the range so that the result won’t shake the United States’ monopoly. Therefore, any BRICS countries in the future can’t get the same veto as the United States by themselves.
Table 1: Shares of the BRICS countries after the implementation of 2010 IMF reform program.

<table>
<thead>
<tr>
<th>Country</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6.390%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.705%</td>
</tr>
<tr>
<td>India</td>
<td>2.749%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.315%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.640%</td>
</tr>
</tbody>
</table>

Table 2: Proportion of voting power of the BRICS countries after the implementation of 2010 IMF reform program.

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6.068%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.585%</td>
</tr>
<tr>
<td>India</td>
<td>2.627%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.217%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.634%</td>
</tr>
</tbody>
</table>

The BRICS alone can’t make a breakthrough in the IMF reform, therefore, it needs an alternative way. According to the IMF regulations, any significant matter must have at least 85% of the voting power before passes. The United States’ 16.47% of power can be used to veto any matter that is not in its interest. Since any BRICS countries now or in the future can’t get more than 15% of voting right, then it can bring BRICS countries’ voting right together to seek an overall breakthrough, which should be more realistic. At present, for the IMF after 2010’s reform of share and governance mechanism, the overall voting power of the BRICS countries has reached 14.131%, very close to 15% of the veto power. Therefore, for the IMF2017 reform program, the BRICS countries’ realistic goal is to achieve the overall voting power of more than 15% as soon as possible. In this regard, Indian Prime Minister, Modi and Russian Foreign Minister, Lavrov both supported such proposal.
II. Establish the “BRICS Global Governance Institute”

The BRICS countries are increasingly “prominent” in participating in global governance, but disproportionately, the BRICS’ ability for such affairs has not been improved significantly. On the contrary, with more and more multi-lateral rules-making and the setting of major international affairs agenda, the global governance capacity of the BRICS countries is sometimes stretched. The developed countries are still “preemptive” or “dominant” in some new rules. On the whole, the BRICS is still in a position of “passive adaptation” and have a certain distance from the ability of “active shaping” on the highest global affairs platform. Particularly, it’s worthy to note the lack of talents with knowledge in the global governance frontier concept and the international financial system reform, especially in the BRICS countries. Therefore, the BRICS countries should set up the “BRICS Global Governance Institute” in time to cultivate professionals and generalists with global vision, knowledge of international rules, daring to make a mechanism innovation, and good at international negotiation, so as to provide intellectual and personnel support for the BRICS countries to take the initiative to guide global governance and skillfully develop “international game rules”.

III. Establish the “BRICS Green Development Forum”

Although the BRICS countries collectively rise, their development models are mostly extensive and unsustainable. In particular, the rapid urbanization, industrialization and intensive agriculture have brought many challenges to the sustainable development of the BRICS countries. Therefore, the BRICS countries’ initiative highly fits the conception of the “transformation development, green development”, both hoping to change the development model, and to achieve cooperation in the development of innovative economy and green economy. It may set up the “BRICS Green Development Forum” or “BRICS Green Development Expert Group”, with the following intentions: first, in line with the United Nations “2030 Sustainable Development Agenda”, to discuss and develop the blueprint for green development of the BRICS countries; to explore and implement a good policy for the global green development and sustainable development. Second, to take a unified position against the developed countries “setting
the trade barriers in the name of the green economy”, to carry out any form of trade and investment protectionism with the excuse of development of green economy; to refused green development to interfere with the global “development priorities” agenda, and disguised deprivation of emerging economies’ developmental space. Third, to jointly discuss the definition of “green development” and “green economy”. The BRICS countries should proceed from the realities of developing countries, suggesting that the formal definition of these new concepts still needs to be defined by the “Rio + 20” Conference and interpreted in the context of sustainable development and poverty eradication. Fourth, strive to create a green development in the field of “BRICS brand”. Each year, the forum draws up a theme, which can be extended to areas such as environmental protection and energy conservation, low-carbon economy, eco-agriculture and new energy, and gradually extended to the broad green development areas such as climate change, eco-tourism and green finance.
Chapter 7 Move forward bravely with a strong determination: a different perspective into the status and future of the BRICS

In recent years, with most BRICS countries encountering economic weakness and even deep recession, the international community “bad-mouthing” of the BRICS once again becomes rampant. The founder of the concept of golden BRICS, Goldman Sachs even closed its “Golden BRICS Fund”, claiming that the fund in the foreseeable future have no significant asset growth**, (changes of the golden brick fund asset is shown below), showing to the outside world that the gold age of BRICS in the eye of Goldman Sachs has passed. However, in sharp contrast to the outside world's view of “fading”, the BRICS mechanism construction returned to rise, its influence and momentum increasing instead of declining. The BRICS mechanism has formed a three-dimensional cooperation framework for pragmatic cooperation in the multiple field guided by the summit, and supported by many senior officials, becoming the most eye-catching and most effective platform for cooperation among the emerging international multilateral mechanisms. It should be said, BRICS’s vitality and influence goes beyond the concept of the proposer’s expectations, even beyond the expectations of the Western society. Therefore, after analysis of the paradox of the BRICS continues to thriving in “bad-mouthing” sound, it shall view the status and future of the BRICS in another perspective.

The Decline of BRIC Investing

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63 http://wallstreetcn.com/node/225802
I. the West’s “bad-mouthing” of BRICS provides a counter evidence of its fear about the BRICS

When BRICS was first established, it coincided with continuous flourish of the BRICS economy. However, the West's bad-mouthing sound was fast, they were not just “playing board”, “pouring cold water”, toward the BRICS economic development, instead set out from the BRICS relations, especially making a fuss in the Sino-Indian contradictions and Russia's strategic intent. The main argument was that China, India and Russia all have their own thoughts, with different dreams on the same boat though, messing up the territorial disputes, and strategic interests of the conflicting powers, at best, defaming the BRICS at most as a “club” or “empty talk place”, hard to make a success and eventually gone. Ten years later, when the majority of the BRIC countries encountered economic difficulties, the Western bad-mouth tone turned to the BRICS’s economy, saying that the BRIC economy was short-lived, had become a “hollow brick”, titles such as “farewell, Mr. BRICS” were seen on the Western media.

It can be seen that, regardless of the BRICS’s economy being glory or not, the Western’s bad-mouthing of the BRICS is always around. This shows that behind bad-mouthing must be plots beyond the economic factors. When the establishment of the BRICS Bank caused the uproar and panic in the Western, the factors hidden behind would more and more vividly appear on news. Namely, the Western fears of the BRICS walking to the center of the international stage from the edge, becoming stronger and share their monopoly of more than 100 years over international affairs, and pursuing international institutional power in proportion to their economic strength. As expected, for the past ten years, the construction of the BRICS mechanism has been vivid and there were major measures released at each summit that astonishing the Western. The Western found that the BRICS mechanism was not a “club” or “empty talk place”, but an “action team”. The BRICS not only sought economic development and cooperation, but also attempted to fully participate in global governance, and walk to the highest platform for international affairs. It is the fruitful outcomes of the BRICS mechanism construction, making the nightmare of the Western powers a reality. It is worth mentioning that, the
establishment and operation of the BRICS Bank is as if a heavy hit to the Western society. The Western countries recognize that their monopoly of international financial governance system of the day has gone. If not to raise the right to speak and enhance representativeness of the emerging powers and developing countries, these countries will start over to force the Western to make concessions, otherwise, the Western can no longer entertain themselves with the existing international game rules. Therefore, the economic weakness of the BRICS in the eyes of the Western with a tone of “bad-mouthing”, does not mean that the BRICS really fade, but mean that the BRICS mechanism is effective with fruitful outcomes. Just think, if the BRICS mechanism construction is nothing or worth of nothing, the Western would do hard to defame. It is the BRICS’s solid and effective mechanism causing the Western society to lose their restlessness and comfort gradually, so they have been sparing no effort to discredit the BRICS. It should be said that the Western media called the “fading” BRICS is a false proposition.

II. The current dilemma of BRICS improves its cooperation endogenous power
Most BRICS economies continue to weaken and the gold seems to dim, but people haven’t seen disintegration of the BRICS, or change from the BRICS into the so-called IC. In contrast, the endogenous power of BRICS cooperation has increased rather than decreased, especially the unity, cooperation, confidence that the BRIC countries showing to the outside world is more firmly and forcefully than ever. The impetus of union and cooperation arising from the BRICS’ plight comes from three factors. First, the BRICS countries realize that, in the current world economic recovery is slow, trade protectionism rises, the BRICS countries only carry forward the spirit of partnership and increase cooperation to get out of the plight. Especially in the current “reverse globalization” trend, the BRICS countries arising and benefiting from the globalization shall be unified to promote implementation of an open economy, and further carry forward trade and investment liberalization and facilitation. In fact, over the years, the BRICS countries, making significant progress in trade though, the size of investment and trade is not commensurate with the volume of the BRICS economies.
The trade and investment barriers with each other don’t match the vivid construction momentum of the BRICS mechanism. Facing with economic transition pressures or economic recession, the BRICS countries shall break through the barriers to trade, dig out the depth of the BRICS’s economic cooperation and expand the breadth of the BRICS cooperation, which is the right way for the BRICS to get out of the difficulties. Second, the external force suppressing the BRICS countries increased the centripetal force of the BRICS countries on the contrary. The Western’s strategy of “constraining Russia”, “suppressing Russia”, continuing to squeeze Russia's geopolitical space, forces Russia to seek more cooperation platform and strategy to rely heavily on. After the “Ukrainian crisis”, the willing of Russian to participation in the BRICS significantly enhancing, Russia hopes the BRICS and the SOC and other cooperation platforms to help decomposition of the pressure imposed by the Western. Similarly, the United States’ implementation of the Asia-Pacific re-balancing strategy, picking something wrong around China, make the BRICS become China's important assistant to achieve peripheral breakthrough. Third, the BRICS countries’ participating in global governance increased the rebound by the Western, the United States and Europe together constraining the BRICS countries to further expand the international rules-making power. In this case, the BRICS countries realize that fighting along can’t achieve their own interests. Only the united cooperation can make a more fair distribution of international interests, international and make relations more democratic.

III. the Western’s positioning of the BRICS’s “countering”, just reflecting the “cooperation” of the BRICS.

Although the BRICS countries have repeatedly stated that the BRICS countries promote the IMF share and governance reform and establish the BRICS Bank, with the intention to challenge the existing international order. However, the Western countries without exception, view the BRICS as the group contending with them, an “uninvited guest” struggling for the power.

The BRICS countries realize that the BRICS mechanism, if to be developed well and further, must have a correct identity. If appearing as the “challenger” or “confrontation”,
it would definitely prove the saying of the Western about the BRICS. The Europe and the United States will join each other openly to deter “not-us aliens” and share interests, inevitably suffering the BRICS from hampered and obstacles in the road ahead. Therefore, the BRICS countries taking gesture of “cooperation benefits both, while fighting results in defeats” from the outset, expressed that the it was the “collaborator” in the international order construction, and took practical actions clarify to the international community that the world is composed of developed and developing countries, but the international arena is not a place for “confrontation between the two camps”, but a platform for cooperation. Taking the role positioning of the BRICS Bank for example, the BRIC countries solemnly expressed that the establishment of the bank was not a start-over, but a complement and improvement to the existing international financial system. Indeed, the BRICS has effectively bridged the gap between the existing international financial institutions in the new energy and infrastructure sectors that lack of funding. The BRICS Bank is also interested in working with the Western-based financial institutions such as the World Bank and the Asian Development Bank. On the occasion of the world’s economic downturn and slow in recovery, the BRICS countries have repeatedly stated that developing countries are willing to work together with developed countries to tackle difficulties and break down barriers to seize the greatest common denominator of each other's interests, and achieve win-win situation in global governance cooperation.

As a saying of “a long journey proves the stamina of a horse”, the BRICS mechanism have move forward with a strong determination since it was established 10 years ago. It keeps a long-lasting and shining in the “fading” noise. Looking to the next decade, the BRICS will become a “key role” and a “promoter” in reorganization of the international order to build up a multipolar world and democratized international relations, and inevitably become an important pillar in the global governance superstructure in face of changes of world economic powers. The vitality and great potential of the BRICS mechanism will continue to shine on the new journey with more flash points. As Russia’s Foreign Minister Lavrov said, “the BRICS has the world’s most abundant resource, a huge internal market and labor resources. All of these factors
together will help the BRICS to deal with the main challenges of the 21st century - to realize the social and economic modernization”.

64 http://www.fmprc.gov.cn/ce/cein/chn/syygdbric/814902.htm
2016 Report of BRICS: Brazil
I. New Political and Economic Situation in Brazil

In 2016 Brazilian political chaos frequently happen, and the political crisis continues to worsen, delaying the process of economic recovery. The International Monetary Fund and other financial institutions predict that the Brazilian economy is still going down to exploring its bottom, and would stabilize and rebound until the early time of next year.\(^{65}\) However, in order to achieve sustainable economic development, it is necessary to work hard on structural reforms. The effectiveness of reform measures depends on the resolution of political crises. At present, Rousseff is ascertained to step down, and the Brazilian political crisis is expected to ease, but the economic recession will continue. In the long run, resolutely to push forward the structural reform becomes the only way to break the vicious circle of politics and economy.

(1) Political chaos frequently happen and political prospective is still unknown

In 2016 Brazilian politics stages a reality version of "card house" as corruptions continue to ferment with Brazilian oil companies, partisan disputes intensify, political community is in turbulent state, and the political crisis continues to deteriorate. Since the first exposure of the Brazilian oil corruption case in September 2014, the Brazilian judiciary has launched an anti-corruption investigation called "Car Washing Action". A number of high-level political leaders and business giants, including the ruling Labor Party had been involved, raising strong dissatisfaction of the people. In March 2016, Democratic Party and Progressive Party, the largest parties in Brazil, quitted the ruling coalition, Rousseff’s regime fall into a helpless situation. In this context, the opposition took "financial irregularities" as the grounds to put forward the application of impeachment against Rousseff. On April 17, the Brazilian House of Representatives agreed to start the resolution of impeachment against President Rousseff by a two-thirds majority. On May 12, the Brazilian Senate plenary meeting

passed the impeachment report, and Rousseff was immediately suspended for 180 days. On August 29, the Brazilian Senate voted to carry the impeachment against Rousseff and the interim President Temer formally took over the presidency, serving to January 1, 2019.

Settlement of Rousseff impeachment brings the dawn for resolution of the political crisis in Brazil, but Brazil’s political outlook is not clear. On the one hand, Rousseff until the last moment insisted her innocence, denouncing the impeachment was a coup, and she was the victim. Brazil thus has little hope to achieve domestic political reconciliation. On the other hand, Temer's presidency is difficult to go well as her personal capacity is limited, domestic support is low, and also accused of participation in financial fraud and suspected of involvement in the oil corruption in Brazil. In case Temer doesn’t make Brazilian economy improve in a limited time, he also may be impeached to step down. In short, the Brazilian parties’ disputes and social divisions are not an immediate end and the hope of achieving political stability in a short-term is slim.

(2) Continuous shrink of economy makes the recovery hopes shattered

Uncertainty in political turmoil and political prospects has worsened the already sluggish Brazilian economy. In 2016 the Brazilian economy failed to do so on the road to recovery, but showed a shrinking tendency and bleak prospects of economic development.

Brazil's economy recessed by 3.8% in 2015, making it the year that the economic performance was the worst since 1990. The unemployment rate rose to 7.9% and hit a new record high for past 6 years and the inflation rate was as high as 10.67%, the highest record for past 13 years. In addition, the Brazilian real exchange rate against the dollar depreciated by one-third. The proportion of fiscal deficit in GDP soared to 10.3%, also hit a record highest. All the three major international rating agencies, Moody's, Fitch, Standard & Poor's, have the Brazilian sovereign debt rated down to junk.66

In 2016, the Brazilian economy does not enter a moderate recovery stage, but continues to shrink with the deterioration of the political crisis. By the end of the first quarter of 2016, Brazil’s gross domestic product (GDP) fell by 0.3% on a quarter-over-quarter basis and 5.4% on a year-on-year basis, according to the latest figures released by the Geographical Bureau of Statistics (IBGE). It was the fifth quarter continuing to shrink. Economic experts predict that the economy will continue to shrink by 3.5% in 2016, hitting a record of two successive years of shrinking for the first time since the 1930s.

At the same time, Brazil’s unemployment rate continues to soar. A data from Brazilian Bureau of Geography and Statistics shows that the first quarter of this year, Brazil’s unemployment rate reached 10.9%, a substantial increase over the same period last year. However, inflationary pressures are slowing in Brazil as a result of a US dollar appreciation and higher unemployment rate that led to a decline in people's incomes and purchasing power. Analysts expect the inflation rate to be 7.08% this year, but this figure is still higher than the government's inflation target for this year, the maximum limit of 6.5%.

II. New Situation of the Brazilian Foreign Trade and Economic Cooperation

Influenced by the slow recovery of the world economy and domestic economic difficulties and other factors, Brazil’s foreign trade and investment continues to decline. In terms of foreign trade, the import and export volume of Brazil’s goods in 2015 was 362.58 billion US dollars, year on year down by 20.2%. From January to June 2016, Brazil's foreign trade amounted to 156.85 billion US dollars, year on year down by 15.9%. It is noteworthy that, although imports and exports have declined, for the first two quarters of 2016 trade surplus reached 23.65 billion US dollars, year on year up by 961.5%. In terms of investment, Brazil’s foreign direct investment (FDI) and foreign direct investment inflow have declined significantly as the political and its economic development prospects are uncertain. Brazil’s foreign direct investment in 2015 reached

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67 See Chinanews web: “Financial institutions forecast: Brazil’s economic recession down by 3.8% and inflation rate up to 7.08% this year” http://www.cankaoxiaoxi.com/finance/20160419/1133083.shtml, April, 2016.

13.5 billion US dollars, down by 48%. FDI inflows to Brazil amounted to 75.75 billion US dollars, down by 22.5%. However, Brazil remains to be the largest FDI inflowing country in the region (42 % of the total in Latin America and the Caribbean region)\(^6\). In view of the regional distribution, Brazil maintained a balanced pattern of its global trade, taking on diversification of trade objects in 2015. China and the United States are still the most important trade partners of Brazil. The EU countries represented by Germany, the Netherlands and Italy, and the Latin American countries represented by Argentina and Mexico also occupy an important position in Brazil’s foreign trade. For investment, the United States, Spain, Germany and other large traditional investment countries are still the main source of investment to Brazil.

Specific to the economic relations with the BRICS countries, the 2015’s volume of trade between Brazil and other members of the BRICS accounted for 22.33% of Brazil’s total foreign trade, almost the same as the proportion last year. Wherein, the Sino- Brazil trade volume contributed the most, accounting for 18.3%. The trade volumes of between India, Russia, South Africa and Brazil accounted for only 2.18%, 1.3% and 0.55% respectively, indicating that the BRICS members’ trade links are still not close, neither significant improvement in their economic and trade relations. In terms of direct investment, member countries are not active in each other's investments, although BRICS are important in the FDI sources of other developing economies. Neither China, India, Russia nor South Africa are major sources of direct investment in Brazil. Among them, China's direct investment to Brazil reached 232 million US dollars, taking the 28\(^{th}\) place. India, Russia and South Africa had so small volume of direct investment in Brazil as to be almost negligible. It is noteworthy that in the first half of 2016, China's direct investment in Brazil reached 301 million US dollars, more than last year's total investment in Brazil \(^7\). This indicates that China- Brazil economic and trade cooperation is moving in a more diversified direction. The rapid growth of China's investment will help Brazil to shake off its position as a supplier of raw materials and


\(^7\) See Brazilian Central Bank: http://www.bcb.gov.br/ftp/notaecon/Investri.xls.
primary products and diversify the national economy.

III. Solid Foundation for Brazil's Participation in the BRIC Cooperation

In recent years, affected by a variety of factors at home and abroad, BRICS with brisk performance in history suffered a setback. Among them, Brazil is the first country entering recession in various fields at the same time, and Russia and South Africa are also in economic crisis, only China and India still maintain a good momentum of

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development. This situation is likely to exacerbate the original contradictions and differences between the BRICS, casting a shadow on BRICS’s development prospects. BRICS fading or even BRICS is a has-been and other bad sayings of BRICS once again clamor. At the same time, Brazil's domestic doubts about the effectiveness of the BRICS mechanism go more and more deep, some people think that Brazil's "a great BRICS country" dream shall wake up, and even there is a voice saying it's the time to leave the BRICS. But in fact, regardless of the BRICS’s economic development status, BRICS cooperation mechanisms objectively exist, and the goals of BRICS countries to seek development and participation in global governance have not been fundamentally changed. Therefore, despite the current BRICS mechanism has been somewhat affected, but in the long run, Brazil's initiative to participate in BRICS will not disappear, the BRICS mechanism will continue to be one of the priorities that Brazilian diplomacy can’t ignore.

First, Brazil has a positive attitude towards the achievements of the BRICS

In 2009, the first BRICS summit was held in Russia, marking the official opening of the BRICS cooperation mechanism. In subsequent years, BRICS countries have made great progress in their cooperation, and significant achievements. The leaders of member countries have not only issued several declarations and joint statements, but also signed several cooperation documents in the fields of economy, trade, finance, investment and science and technology. Now, the BRICS mechanism has been formed as a multi-level structure to carry out practical cooperation in political, economic, financial, social and humanities and other fields under the guidance of the leaders' meetings, supported by ministerial meetings such as the High Representative Conference on Security Affairs and the Foreign Ministers' Meeting, assisted by the second-track diplomacy of the think-tank annual conference. In particular, the official launch of the BRICS Development Bank and the 100 billion US dollars contingency reserve mark the transformation of the BRICS mechanism from concept to reality. The BRICS Development Bank will be used as "a tangible hand" to help mutually beneficial

cooperation between BRICS countries in future, will also make a positive contribution to improvement of the global financial governance, which will represent a milestone in the progress of the BRICS mechanism. The BRICS system has deepened and expanded cooperation among the member countries in various fields so that the concept of BRICS shifts from the original intention of economic investment to develop a more inclusive organization. The current economic slowdown doesn't form a decisive conclusion on whether BRICS exists or disappears. Meanwhile, the BRICS mechanism is also important for the member countries acting as an emerging country to promote the reform of the international political and economic order and the global governance structure. For many international issues, the BRICS countries still need to voice with one accord.

Admittedly, affected by the global economic downturn and the members’ political and economic situation, the BRICS mechanism is facing difficulties and slowdown in development momentum. But according to these, thought of BRICS mechanism to collapse or Brazil to withdraw from the BRICS is too exaggerated and seems to have ulterior motives, because the adverse external conditions may also stimulate the BRICS countries’ greater willingness to cooperate, moreover the BRICS countries still have advantage in economic and population size. In fact, the five member countries, including Brazil, hold an overall positive attitude toward the current BRICS mechanization that the potential of BRICS cooperation is huge, and show full confidence in the development prospects of the BRICS mechanism. "In spite of the unstable political situation in the country, this does not affect the cooperation between Brazil and the BRICS countries, because the BRICS mechanism has become a reality," said the director of the Brazilian Foreign Trade and Investment Office in an interview in May this year. He said, "BRICS countries are important partners for Brazil, because the BRICS countries are all big countries, which constitute a main force to move the world forward." Brazilian ambassador to China, Roberto Gualibe also said that

See Xinhua net web: "Brazil’s turbulent situation is difficult to shake gold brick cooperation"http://news.xinhuanet.com/world/2016-06/13/c_119033330.htm. 2016年6月。

"Emerging economies in the face of the overall adjustment, BRICS countries should be more unity, and coexist in peace for common prosperity."  

**Second, the BRICS mechanism is one of the important platforms Brazil can rely on to get out of the current crisis**

Since 2014, with the growing political and economic crisis, Rousseff’s government was forced to pay more attention to domestic and participate in international affairs with less enthusiasm. In this context, Brazil’s appeal to enhance the regional and global influence through the BRICS mechanism also weakened. However, this does not mean that the basis by which Brazil participates in the BRICS has disappeared. In fact, for the deep political and economic crisis in Brazil, the BRICS mechanism and its member countries are still an important platform Brazil can rely on to get out of its crisis and be back on the normal development track.

Strengthening economic and trade cooperation and attracting foreign investment is an important engine for Brazil to accelerate the economic recovery and is one of the major demands of Brazil's participation in the BRICS mechanism. Although the trade and investment among BRICS countries is still in low-level development, at small scale and with imbalance in the trade structure, there is a fact that BRICS countries have strong economic complementarity and great potential for cooperation. Moreover, as the BRICS mechanism continues to expand and deepen, BRICS economic cooperation, especially in the financial infrastructure cooperation, has made a fundamental progress. At present, BRICS New Development Bank and BRICS monetary reserve bank has been formally established, and the BRICS New Development Bank has completed the first batch of project preparation and approval work in April this year, and decided to provide 811 million US dollars in the first round of loans for clean energy projects in four countries. Among them, the Brazilian National Economic and Social Development Bank received the largest loans, reaching 300 million US dollars.  

Finance professor Huasheng Xia, from Brazil's Federal University of São Paulo, pointed out that the

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BRICS Development Bank will play a very important role in the BRICS cooperation. On one hand, BRICS member countries are expected to directly obtain the necessary funds for development from the emerging financial institutions, on the other hand, they can make the currency exchange and other financial exchanges within the framework, thereby enhancing the economic and local currency shock resistance. In addition, BRICS countries are of great significance to Brazil’s development. The BRICS mechanism provides Brazil with an excellent opportunity to engage directly with Chinese and Indian leaders. IMF predicted that by 2020, 40% of global economic growth will be made by China and India, while the United States will account for only 10%. There is no doubt that in the future Brazil will rely heavily on the Asia for its development. Brazil should strive to adapt to this new reality. This shows that the BRICS mechanism is not only an important platform for Brazil to get out of the current economic difficulties, but also an important indispensable support for Brazil to accelerate economic development and achieve long-term prosperity.

Third, promotion of BRICS cooperation does not contradict with Brazilian foreign policy diversification

Since the formation of the BRICS cooperation mechanism in 2009, Brazil has always regarded the development of cooperative relations with the BRICS as one of the priorities of its foreign policy. However, with the pro-western interim President Temer came to power, Brazil’s foreign policy is adjusted accordingly, triggering the concerns about the BRICS development prospects. In fact, the adjustment of Brazil’s foreign policy is aimed at forming a more diversified and balanced external relations, and strengthening the BRICS cooperation mechanism does not conflict with this goal.

On May 18 this year, Brazil’s Foreign Minister José Serra said at the inauguration ceremony that Brazil would "resume" cooperation with the "traditional partners" such as the United States, Europe and Japan at the global level. Regarding the BRICS mechanism, he said that Brazil would take advantage of the opportunities that this

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78 See China Economic Net: "Brazilian experts: BRICS is expected to lead the world economic development" http://intl.ce.cn/sjjj/qy/201502/05/t20150205_4523854.shtml, February, 2015.

multilateral mechanism brings to it, with the promotion of trade and investment among member countries as the main objective. This is in contrast to the words "strategic cooperation" and "diplomatic focus" that the Rousseff’s government used when referring to the BRICS countries. However, this does not mean that the BRICS mechanism is no longer important in Brazil's diplomatic layout. First, he denies that the emphasis on new partners will be reduced by restoring traditional partnerships. "A big country like Brazil does not choose or reject its allies," he said, "and it will keep a close relationship with all countries as long as it is in the interest of the nation". Second, he stressed the importance of South-South cooperation. José Serra made it clear that "the previous government’s strong push for South-South cooperation remains the core guiding principle of Brazil’s foreign policy, and Brazil will attach importance to relations with other developing countries around the world". Moreover, José Serra met firstly with the Brazilian ambassador to China, Jakarta, when he came to power, and said, "to keep relations with new partners in Asia will be the first, especially China and India". In addition, President Temer's first visit was to attend the G20 summit in China, and has indicated his willingness to participate in the BRICS summit in India in October. Thus, the foreign policy of the Provisional Government is not a subversion of the former foreign policy, but a complement and improvement. South-South cooperation represented by the BRICS mechanism is still an important component of the foreign policy of the Brazilian Provisional Government, which is indispensable for a more balanced, and more diversified external relations.

Fourth, proposals from the Brazilian government and academia on the BRICS cooperation

First, continue to promote BRICS mechanism and seek the best way to resolve the misunderstanding

80 See Xinhuanet web: "Brazil’s changes in situation is difficult to shake BRICKS Cooperation" http://news.xinhuanet.com/2016-06/13/c_1119033330.htm, June, 2016.
Brazilian people from all walks of life are generally satisfied with the results of the BRICS mechanism in recent years and believe that the BRICS mechanism should continue to be promoted. Marcos Troyjo, a visiting professor at IBM University and director of the BRICS National Research Center at Columbia University, stressed that the impetus for BRICS institutionalization could not be hindered by heterogeneity among member countries. He argued that the development of the EU demonstrates that heterogeneity among member countries was not an insurmountable obstacle. BRICS countries should allow the existence of differences, and on this basis, make efforts to find the convergence point of interest, to promote the BRICS mechanism forward. Professor Oliver Stuynke also believed that the efforts of the BRICS to institutionalize cooperation under the common vision of reforming the global order have enabled them to go beyond the differences. However, the former Brazilian ambassador to China, de Castro Neves, pointed out that the BRICS had not become the preferred forum for discussion of cooperation among member countries. He believed that the BRICS should consider the diversification of the agenda before thinking about institutionalization, starting with the BRICS meeting as an indispensable forum for exploring their own affairs and connecting with other countries.

Brazil has always positioned the BRICS as an innovator of the international order, not as a revolutionary. In the light of the perceived threats to the Western hegemony and the challenge to the existing international order, Brazilian scholars believe that the international community still has a lot of misconceptions about the BRICS and its relationship with the global order. To resolve misunderstanding is one of the important issues the BRICS countries need to face in the future.

Second, play the role of media bridge to strengthen integration of the five countries’ policies

It is generally believed in Brazil that the level of mutual understanding between the BRICS countries is a little bit low. Evandro Carvalho, a researcher at the Vargas

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Foundation, and Ronnie Lins, an expert on Sino-Brazil issues, both think that the media can play an important role as a bridge. BRICS media will strengthen communication and exchange with each other, and focus on a variety of issues and challenges in the development of BRICS countries, through reports in various fields to promote the mutual understanding between the people from BRICS countries. "The BRICS Media Summit provides an opportunity for direct interaction between BRICS media and observation of each other, bringing them closer to each other and enhancing mutual understanding," said Roberto Jaguaribe, the Brazil’s ambassador to China. He also said to strengthen the BRICS policy integration and BRICS countries shall further complementary role of national policies for co-prosperity. Such as joint financing for infrastructure development, the coordinated measures need to prepare for funding, further promotion of investment, trade and cooperation, including guidance to agriculture, highlighting the synergy and effectiveness of national economic policies.

Third, pay more attention to practical results, rather than political investment

Brazilian scholars generally believe that the left-wing government advocated "South-South cooperation" diplomatic philosophy is flashy, so they do not have much hope for the South-South cooperation as the main direction of the BRICS mechanism. Following Rousseff’s ouster under impeachment, the interim government, while still using South-South cooperation as one of the core guiding principles of its foreign policy, stressed the importance of focusing on the substantive effects of South-South cooperation rather than political investment. In view of this, the key development of the BRICS mechanism is to establish new practical institutions, making it as an effective development tool, BRICS Development Bank is such a paradigm. Bruno, a professor of economics at Campinas State University in São Paulo, suggested that the BRICS could try to lend in its own currency to enhance its ability to withstand external shocks.

The new development bank is not a closed organization, service object is not limited to the five BRICS countries, in future it should provide financial support to Latin America,

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Africa and many other developing countries. He also believed that BRICS Development Bank should focus on infrastructure and sustainable development. Brazil urges the BRICS Development Bank to provide financial support for Brazilian railways, highways, airports and port infrastructure projects.\(^{87}\)

2016 BRICS Country Report - Russia

Center for China in the World Economy, Tsinghua University
BRICS Economic Think Tank
2016 BRICS Country Report - Russia

I. Russian economic situation and trends

(I) Russia’s economy continues to decline

Russia’s economy shrank 3.7 percent in 2015 from a year earlier. According to data released by the Russian Ministry of Economic Development in its official website, the first half of 2016 Russian economy dropped 0.9%, which fell 1.2% in the first quarter and down 0.6% in the second quarter. Some other indicators also show that the Russian economic downturn will continue for some time.

1. Foreign trade continued to decline. In the first half of 2016, the total import and export volume of Russia was US $211.3 billion, down by 22.9% year on year, of which exports were US $127.7 billion, down by 29.7% and imports, US $83.6 billion, down by 9.5%. Trade surplus reached US $44.1 billion, a substantial reduction of 50.6%.  

2. Consumption continued to weaken. In the first six months of 2015, total retail sales fell by 8.4%, and fell by 5.7% year on year in 2016. The decline in consumption is associated with a drop in real incomes. In the first six months of 2015, the real money income of residents decreased by 3.7% and by 5% year on year in 2016. In the context of the economic crisis, people's spending power and consumer willingness were both declining.

3. The deficit accounts for 4% of GDP. According to the news from the Russian Ministry of Finance, in the first half of 2016 the fiscal deficit was 4%. The federal fiscal revenue was 5.9 trillion rubles, with completion of the annual budget of 42.7%. The expenditure was 7.4 trillion rubles, with completion of the annual budget of 45.9%. The deficit was 1.5 trillion rubles, accounting for 4% of GDP, higher than the expected 3.3% at the beginning of 2016. 

88 “О текущей ситуации в экономике РФ по итогам первого полугодия 2016 года”, July 2016, website of the Russian Ministry of Economic Development: http://economy.gov.ru/wps/wcm/connect/eea0415f-d45d-4233-bb62-7db0cd6635d/d0%98%d1%82%d0%be%d0%b3%d0%b8%d0%bf%d0%be%d0%bb%d1%83%d0%b3%d0%be%d0%b4%d0%b8%d1%8f_2016+%d0%b3.pdf?MOD=AJPERES&CACHEID=eea0415f-d45d-4233-bb62-7db0cd6635d
89 The data is slightly different from that of the website of the General Administration of Customs of Russia
4. **The ruble is still unstable.** After surviving from “ruble crisis” in 2014, the ruble exchange rate in 2015 happened to a short-term rebound. But with the energy prices lowering, early in 2016 the ruble began a new round of depreciation. In the first half of 2015, the average ruble exchange rate against the US dollar was 54.47. The average exchange rate was 70.29 in the same period of 2016, and in June, it was 65.31.

5. **Oil prices are still low.** Energy price trend is an important indicator of the Russian economy. At present, although the price of oil has rebounded, but far less than last year's level. In the first half of 2015, the Russian "Ural" brand crude oil prices averaged US $57 per barrel, but in the same period of 2016, only US $37.7 per barrel. In terms of natural gas, the Russian natural gas export in June 2016 averaged US $156.1 dollars per 1,000 m$^3$, down by 48.1% year on year. Russian oil and gas export revenue in the first half of 2016 was US $47.904 billion, down by 31.6% year on year. Among them, natural gas export revenue, US $14.975 billion dollars, down by 31.6%, oil export revenue, US $32.929 billion dollars, down by 31.5%.

6. **The Western sanctions still difficult to cancel.** Although Russia has used a lot of diplomatic resources, trying to lift the Western economic sanctions against Russia, but now it is difficult to see release of the sanctions. There are two reasons: first, there is no solution to the Ukrainian issue that affects Russia-EU relations. The war in eastern Ukraine is intermittent, and intensified in the near future. The full implementation of the Minsk Agreement is only a good wish. Second, the United States, as the driving force behind the scenes, has no intention to relax the containment of Russia. In March 2016, the United States announced the extension of sanctions against Russia for one year, to March 6, 2017. In June 2016, the European Union fellow the United States to announce the extension of sanctions against Russia for one year, to June 23, 2017.

**II) A positive signal rising from the plight**

In April, May and June of 2016, the Russian economy decreased by 0.8%, 0.6% and 0.5% respectively, showing a decline was constantly narrowed and the Russian economy had hit the bottom. According to a briefing from the Russian Central Bank’s Research and Forecasting Division, Russia's GDP in the third quarter may grow by
0.4%, and in the fourth quarter, by 0.5%. The agency said, the recession had become the past, and in future Russia would achieve slow growth. This was in line with the forecast of the Russian Ministry of Economic Development. The positive signals in the Russian economy include:

1. **Agriculture is a ray of sunshine in the haze.** Russian agriculture has been the economic “bright spot” for past two years. Russia’s grain output has achieved a billion tons for three consecutive years. Russian agricultural growth was 2.9% in 2015. During January to June, 2016, it increased again by 2.6%. On April 28, 2016, the Russian Minister of Agriculture, said Tkachev, in the agricultural year 2015-2016 (from July 2015 to June 2016), Russia’s wheat exports were 25 million tons, become the world's largest wheat exporter, beyond the United States and Canada. Russia’s grain exports totaled 33.893 million tons, hitting a highest record.

2. **Capital outflow substantially reduced.** According to the data released by the Central Bank of Russia on August 9, 2016, the net outflow of capital from Russia was US $10.9 billion in the first seven months of 2016, far less than US $53.3 billion in the same period last year. The gold foreign exchange reserves did not run out as quickly as the West predicted, but increase from US $481 billion in June 2015 to US $504 billion in June 2016.

3. **Signs of industrial rebound.** In the first half of 2016, the Russian industry stopped recession. The industrial growth was 0.4% from January to June, of which 0.7% in May and 1.7% in June, with obvious momentum of recovery.

4. **Inflation tends to calm.** In the first half of 2016, prices rose by 3.3%, with the annualized inflation rate of 7.5%. While in 2015 the Russian inflation rate reached 12.9%. The inflation has dropped significantly.

5. **Unemployment is balanced.** The unemployment rate in the first half of 2015 was

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93 “Россия в прошедшем сезоне экспортировала рекордные 33,8 млн тонн зерна”July 4, 2016, the Russian news net: https://ria.ru/economy/20160704/1458168587.html
5.7%, and 5.8% in the same period of 2016, of which 5.6% in May, 5.4% in June, with a further downward trend. 95

(III) the Russian government intends to drive economic growth through “double wheels”

Although the economic outlook is uncertain, the government believes that low energy prices will unite the social consensus, forcing Russia to accelerate the pace of reform, which is a good thing for Russia. The main initiatives are:

1. **Further promote the import substitution strategy**. Taking the Western sanctions as an opportunity, the Russian government vigorously promotes the import substitution. In 2015 it focused on the field of agriculture, and achieved good results. Russia’s food imports in 2015 fell by 35%. In 2016 the Russia’s import substitution extends to industrial production, for example, the Ministry of Industry and Trade launches more than 70 oil and gas equipment import substitution projects, hoping to achieve similar results as the agricultural field.

2. **Accelerate the development of the Far East.** Russia’s new measures in the development of the Far East continue, mainly include: first, the establishment of “advanced development zone”, which now amounts to 12; second, the construction of Vladivostok Freeport; third, implementation of the Far East “Land Law”, which entered into force on June 1, 2016; fourth, holding the Russian Oriental Economic Forum and taking it as a platform to promote investment to Russia and provide advice for Russia’s economic development.

(IV) The root cause of Russian economic problems isn’t yet removed

1. **Russia still not gets rid of “energy curse”**. Although the energy prices dropped by nearly half, resulting in decline of its proportion of the export and the state revenue, the energy still contributes 38% of export earnings, accounting for 34% of state revenues 96. At present, both the Ministry of Finance, and financial institutions, their forecast for the Russian economy takes the energy prices as the benchmark. For

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95 Except special economic data above the Notes, all are from the Russian Ministry of Economic Development 《О текущей ситуации в экономике РФ по итогам первого полугодия 2016 года (The first half of 2016 Russian economic situation report)
example, Russian Foreign Economic Bank released research data, said in the case of the oil price at US $40 per barrel in 2017, Russia's economic growth would reach about 0.7%. Russian Minister of Economic Development, Ulukayev said that if oil prices were US $43-45 dollars a barrel, the economy wouldn’t decline.

2. Russia's current import substitution, and the Far East development, is not enough to change the Russian economic structure. First of all, import substitution achieves better results in the agricultural field because Russia has good natural conditions and vast land. But the industrial manufacturing needs large-scale capital investment, taking a long time but effecting slow, not like the immediate effect of agricultural areas. The Far East development route is correct, but the population in the region accounts for only about 5% of the nation, which is difficult to bring the national economic recovery and structural changes.

II. Economic and Trade Cooperation between Russia and Other BRICS Countries

(I) Trade between Russia and the BRICS Countries

The main features of the trade between Russia and the BRICS countries are as follows: first, the status of BRICS countries in Russian foreign trade has risen, accounting for a record high; second, Among the BRICS countries, China is Russia's largest trading partner, accounting for more than 80%. Therefore, the economic and trade cooperation with China is a top priority of Russia. Among BRICS countries, India is Russia's second largest trading partner, accounting for about 10%. Brazil ranks third, accounting for about 6%. The least is South Africa, only about 1%, having a smaller impact on Russia. Third, Russia basically is the same as other members in the trend of trade. Russia realized a rapid growth in 2010-2013, but in 2014 with the Russian economic difficulties, mutual trade began to decline, and fell sharply in 2015.

Table 1: Status of BRICS countries in Russia's foreign trade: (unit: 100 million US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade with BRICS</th>
<th>Russia's total</th>
<th>Percentage of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>countries</th>
<th>foreign trade</th>
<th>BRICS countries' trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>742.11</td>
<td>5599.67</td>
<td>13.2%</td>
</tr>
<tr>
<td>2011</td>
<td>991.92</td>
<td>6573.78</td>
<td>15.1%</td>
</tr>
<tr>
<td>2012</td>
<td>1046.26</td>
<td>6429.69</td>
<td>16.2%</td>
</tr>
<tr>
<td>2013</td>
<td>1054.18</td>
<td>8412.74</td>
<td>12.5%</td>
</tr>
<tr>
<td>2014</td>
<td>1051.75</td>
<td>7888.11</td>
<td>13.3%</td>
</tr>
<tr>
<td>2015</td>
<td>770.61</td>
<td>5294.95</td>
<td>14.6%</td>
</tr>
<tr>
<td>Jan-Jun, 2016</td>
<td>339.07</td>
<td>2090.29</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

Table 2: Country Trade between Russia and the BRICS Countries (Unit: 100 million US dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage</td>
<td>Amount</td>
<td>Percentage</td>
<td>Amount</td>
</tr>
<tr>
<td>Total</td>
<td>1046.26</td>
<td>1054.18</td>
<td>1051.75</td>
<td>770.62</td>
<td>339.07</td>
</tr>
<tr>
<td>China</td>
<td>873.94</td>
<td>83.4%</td>
<td>887.99</td>
<td>84.2%</td>
<td>883.5</td>
</tr>
<tr>
<td>India</td>
<td>106.04</td>
<td>10.1%</td>
<td>100.74</td>
<td>9.5%</td>
<td>95.13</td>
</tr>
<tr>
<td>Brazil</td>
<td>56.63</td>
<td>5.4%</td>
<td>54.78</td>
<td>5.1%</td>
<td>63.35</td>
</tr>
<tr>
<td>South Africa</td>
<td>9.65</td>
<td>0.9%</td>
<td>10.68</td>
<td>1%</td>
<td>9.77</td>
</tr>
</tbody>
</table>

According to information on the websites of the Russian Ministry of Economic Development and the Russian General Administration of Customs (Percentage is an approximate number)

**II) China becoming increasingly important in Russia's foreign trade**

China is Russia's most important trading partner among the BRICS countries. With the deepening of bilateral cooperation, China's position in the Russian trade is on the rise.
China is Russia's largest trading partner in the past five years.

Table 3 Cargo Trade between China and Russia, 2010-2015 (Unit, 100 million US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Russia’s total cargo trade</th>
<th>Growth</th>
<th>Cargo trade between China and Russia</th>
<th>Growth</th>
<th>China’s proportion of Russia’s cargo trade</th>
<th>Proportion of Russia’s exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5599.7</td>
<td>43.9%</td>
<td>570.5</td>
<td>49.6%</td>
<td>10.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2011</td>
<td>6573.8</td>
<td>17.4%</td>
<td>723.3</td>
<td>26.8%</td>
<td>11%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2012</td>
<td>6429.4</td>
<td>-2.2%</td>
<td>750.9</td>
<td>3.8%</td>
<td>11.7%</td>
<td>6.8%</td>
</tr>
<tr>
<td>2013</td>
<td>5771.3</td>
<td>-10.2%</td>
<td>683.3</td>
<td>-9%</td>
<td>11.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>2014</td>
<td>7828.6</td>
<td>35.6%</td>
<td>884</td>
<td>29.4%</td>
<td>11.3%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2015</td>
<td>5258.3</td>
<td>-33%</td>
<td>635.5</td>
<td>-28.1%</td>
<td>12.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>2016</td>
<td>1-6</td>
<td>2090.29</td>
<td>-22.2%</td>
<td>282.92</td>
<td>-7.4%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

According to the information from the Ministry of Commerce “Country Trade Report - Russia” and the Russian customs network.

More important point is that China is becoming an important export market of Russian mechanical and electrical products, and to increase the proportion of exports of electromechanical products is also seen as Russia’s an important step to get rid of in energy dependence.

Table 4: Russia HS84-85: Export of mechanical and electrical products to China
(Unit: 100 million US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Year-on-year %</th>
<th>%</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,013</td>
<td>37.9%</td>
<td>12.3%</td>
<td>2nd place</td>
</tr>
</tbody>
</table>

98 Website of Ministry of Commerce of the People's Republic of China: http://countryreport.mofcom.gov.cn/indexType.asp?p_coun=%B6%ED%C2%DE%CB%B9
### All along, Ukraine and Germany are the main markets Russia exports mechanical and electrical products to. But with the crisis of Ukraine fermentation, the Western continues to strengthen sanctions against Russia, the two major markets shrank and China has gradually become the main market for Russian to export mechanical and electrical products. Moreover, despite of the impact of the international financial crisis on the Sino-Russian trade with fluctuations for these years, Russia’s exports of electromechanical products showed a sustained growth.

Another big change in Sino-Russian trade is the rapid growth of Russian agricultural exports to China. In 2015, China is Russia's third largest trading partner of agricultural products, only second to Belarus and Turkey. In August 2016, Chinese vice Minister of Agriculture Dongyu Qu said at the Sino-Russian Modern Agriculture Development Forum, for the first half of this year, Russian agricultural exports to China had reached US $968 million, more than US $909 million of imports, the first time to achieve a surplus for past 10 years\(^\text{100}\). As Chinese enterprises expand agricultural investment in Russia, the two sides were deepening cooperation in planting, breeding, agricultural products processing, warehousing and logistics, agricultural and sideline products processing trade, some “taboos” were also slowly broken in the Russian agricultural cooperation with China.

### III. Russia relies more on the BRICS cooperation mechanism

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\(^{99}\) Website of Russian Customs:

\(^{100}\) "China's Ministry of Agriculture: Russia's agricultural trade in China for the first time in 10 years to achieve a surplus," August 17, 2016, the Russian satellite net:
http://sputniknews.cn/russia_china_relations/20160817/1020523525.html
Geopolitically, with deterioration in the relationship between Russia and the West, the BRICS mechanism as a force to promote multi-polar world becomes more and more important to Russia. Economically, the Russian economy is facing difficulties, the task to make structural adjustment is hard, deepening economic and trade cooperation with the BRICS countries is one of supports for Russia to step out of the dilemma. Russia is going to position itself and the BRICS’s multilateral mechanisms. The multilateral mechanisms like BRICS, G20, and SCO are on rise in the Russian diplomatic position. The Western mechanisms like G8 are no longer the Russian diplomatic priorities. On the BRIC mechanism, Russia attaches importance to from the politics for the past to the economic and politics of the BRICS mechanism.

(I) G5> G8, Russia re-position itself, but do not want to confront

After the crisis in Ukraine, Russia was “kicked out” from G8, which prompted Russia to further consider whether to move closer to the West, or as a “non-Western” identity. On April 10, 2016, German Foreign Minister, Steinmeier said that Russia was expected to return to G8, because many of the international community couldn’t without Russia. But for returning to the G8, the majority of Russian scholars believe that the times have changed, G8 is obsolete, and Russia no longer needs G8. “The possibility of rebuilding the G8 is minimal, the main reason is no longer to need”, said Fyodor Lukyanov, editor-in-chief of Russia in Global Politics, and head of research at the Valdey International Debate Club Foundation, “Russia should stay in G20 and actively cooperate with the BRICS countries”. Mikhail Gemulin, a former member of the Russian Central Party Committee and a former diplomat, said: "In the early 21st century, Russia worked hard to join the G8 to identify itself as a member of the so-called ‘civilized world’ and to highlight its own status”, but now the focus of Russia is clearly turned to new multilateral mechanisms such as the G20, BRICS mechanism, and the SCO. He said, the Russia’s indifference on the G8 showed “to change its position in principle”, which would have a positive impact on the BRICS mechanism. Russian President’s

101 “России не нужно вписываться в западную иерархию —— эпоха G8 закончилась”. Фёдор Лукьянов, April 12, 2016, the Russian news agency website: https://ria.ru/analytics/20160412/1408971773.html
102 “Отношения России с Западом: чем больше ясности, тем лучше”. Михаил Демурин, April 20, 2016, the Russian news agency website:https://ria.ru/analytics/20160419/1415261720.html
press secretary, Dmitry Peskov, said, “When back to the agenda out of G8”, “we believe that, G20 is a more comprehensive and more representative mechanism” 103. Previously, the Russian, with “feet on two boats”, is not only a member of the Golden BRICS (G5), but also the member of G8. This positioning, on one hand, was intended to obtain the benefits from the double identity; on the other hand, also showed that Russia was hesitant about its own positioning. But now, as Russia and the West fell into a trough, Russia no longer expects anything from the G8. In Russia's diplomatic practice, G5 has been more important than the G8.

Most Russian experts believe that the BRICS mechanism is an important platform by which Russia turns to the “non-Western” side as by the BRICS Ufa summit, Russia broke the so-called propaganda that Russia had been isolated by the international community. In the Ukrainian crisis, Western sanctions and the construction of international order, the Ufa Declaration embodied the aspirations of Russia. Dmitry Treninen, director of the Moscow's Carnegie Center, believes that Russia's relations with the West have worsened after the crisis in Ukraine, and there is no recognition of its integration into Russia on the Crimea issue, including Russia's loyal allies. In this case, the help from major powers such as China, India, Brazil, and South Africa becomes increasingly important to Russia. Nikola Troshen, an expert of Russian Strategic Institute, said that the BRICS Summit was a message Russia sent to the Western: “The world should not be, it will not be a single-polar world, a single-polar world is unacceptable” 104.

In addition, some Russian scholars believe that Western countries continue to badmouth the BRICS mechanism itself, showing that the BRICS countries formed a threat to the old system. “The Western has been aware of this, so in the past year vigorously destroyed the BRICS countries, trying to strike China, Brazil and other directions one by one” 105. Rostislav Ysienko, director of Russia's system analysis and forecasting center,

103 “Кремль: вопрос возвращения России в G8 сейчас не стоит в повестке дня”, April 19, 2016, the Russian news agency website:https://ria.ru/politics/20160419/1414989331.html
104 “К итогам саммита БРИКС в Уфе——Экономические санкции участники приравняли к настоящим военным интервенциям”, Николай Трошин, July 15, 2015, the Russian Institute of Strategic Studies website:http://riss.ru/analyitics/18996/
105 “Отношения России с Западом: чем больше ясности, тем лучше”, Михаил Демурин, April 20, 2016, the Russian news agency website:https://ria.ru/analitics/20160419/1415261720.html
believes that the United States is a manipulator behind Brazil’s political turmoil. Because Brazil, like Russia, “refused to participate in the United States proposed the Pan-American economic and political projects, and hope to play an autonomous geopolitical role in the framework of the BRICS. Washington reacted with it strongly” 106.

But whether the BRICS should be “confronted” with the Western, Gregory Tololaya, executive director of the Russian National Committee of BRICS, puts forward, BRICS doesn’t form a “Southern Group” confronted with the Western, "its historical mission is to act as a collection of different civilizations, BRICS is not to fight off the Western, but provides a new model and new theory for human development so as to meet the demands of the stable development of mankind" 107. The BRICS countries should not sacrifice their economies for politics," said Peter Dobecchanov, an expert at the Moscow-based Carnegie Foundation, “Once the burden of the political agenda is borne, it will only lead to increased distrust and contradictions within BRICS” 108. Russian Foreign Minister, Sergei Lavrov, said that the under the BRICS framework to discuss the position on international issues may cause concern in the Western, whose thinking that the Russian takes the BRIC mechanism as an ideology is wrong. Russia just agrees with political proposal by other partners of the BRICS. Obviously, the Russian officials do not want the BRICS countries to engage in confrontation with the Western, or the formation of the South and North groups.

(II) The economy is no longer a BRICS’s “subsidiary” function, Russia promotes economic return of the BRICS

All along, Russia has believed that, the BRICS mechanism born from the economic vocabulary is more of a sign of the world's multi-polarization. Sergey Karaganov, an expert at the Faculty of Economics and a prominent political commentator, said that the BRICS countries were the first and foremost political club composed of non-Western

108 "Политика в ущерб экономике: как Москва может поссориться с БРИКС”, Петр Топычканов, June 10, 2015, Moscow, Russia Carnegie Center:http://carnegie.ru/publications/?fa=60360
power economies, followed by economic alliances. But in recent years, as Russia's resource-based economic growth potential is exhausted, the economy is in the doldrums, Russia's attention to the economic function of the BRICS countries increase. In Ufa summit declaration, the economic issues account for most of the content, “we stress that in the current context of the global financial and economic instability, the fluctuations of international commodity market price, the development of real economy is particularly necessary” 109, clearly reflecting the Russian demands. Since 2015, Russia took over the BRICS presidency and has promoted the BRICS economic cooperation, mainly including as follows:

1. **Promote the formulation of the “BRICS economic partnership strategy”**. The strategy was developed with active promotion of Russia and was adopted at the Ufa summit. Its purpose was to “promote stable economic growth and provide BRICS countries with a competitive edge on the global stage” 110. The strategy clarifies the direction of BRICS cooperation and lists eight areas of BRICS key cooperation: trade and investment, mineral resource extraction and processing, energy, agriculture, scientific and technological innovation, financial and economic cooperation (including cooperation mechanism and construction, personnel exchanges, emphasis on education, tourism, business and labor mobility) and ICTs, each area having an initial implementation plan.

2. **Initiative to develop the BRICS trade, economic and investment cooperation roadmap by 2020**. The initiative was initially supported by the Ufa Declaration, where leaders called on “ministers / coordinators to explore the feasibility of developing the BRICS trade, economic and investment roadmap by 2020” 111. Russia hoped the roadmap to include mutual investment, trade and provides more operational programs. Vladimir Fagin, director of the Russian Institute of Energy and Finance and a member

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111 “BRICS’s leaders meet the seventh meeting of the Ufa Declaration”, July 9, 2015, Xinhuane.net: http://news.xinhuanet.com/world/2015-07/11/c_1115889581.htm
of the BRICS working group, said it would help the BRICS find new ways of working together.

3. **BRICS’s two important financial mechanisms officially landed.** In the Russian presidency, the BRICS Development Bank and the BRICS emergency reserve arrangements entered into force. On July 7, 2015, the BRICS Development Bank held its first Board meeting in Moscow, appointing its board members and the first leadership. On April 16, 2016, BRICS Development Bank approved the first batch of 816 million US dollars of loans for renewable energy projects. In July 2015, the BRICS completed the ratification process for the establishment of the contingency reserve arrangement, which entered into force that month. On the BRICS financial cooperation, Russia's expectations are high. Russian Finance Minister, Silvanov said that the BRICS New Development Bank, like the Micro International Monetary Fund, brought new opportunities for cooperation in the financial sector. Russia's central bank proposes to make an settlement in the currency settlement, although the current size is small, but the future expected to reach 50%.

4. **Russia promoted the convening of the first meeting of ministers of industry and the first meeting of ministers of energy.** Industry and energy are two major areas of the Russian economy. On October 20, 2015, held in Moscow, the BRICS’s first industrial ministers meeting discussed the metallurgical, aerospace, automotive, pharmaceutical, chemical cooperation. On November 20, 2015, a meeting of ministers of energy was convened in Moscow to sign the Memorandum of Understanding on Energy Efficiency and Energy Efficiency among the BRICS Energy Sector. Obviously, Russia wants to cooperate with the BRICS countries in its most pressing development areas.

Sergei Liebkov, vice minister of foreign affairs of Russia's Ministry of Foreign Affairs, said that the BRICS mechanism is not just a meeting, but a down-to-earth work. It is moving from making a statement to pragmatic cooperation.

(II) **BRICS’s challenges and difficulties**

Although the BRICS countries have achieved good results, but Russia has also
questioned about the BRICS, mainly as follows:

1. **BRICS countries eclipsed, Russia bet BRICS is wise or not.** Russian media and scholars expressed concern about the economic situation of the BRICS countries, that the serious division of members’ economies, only India and China remained “golden”. On May 9, 2016, the Russian “newspaper” network published a report entitled “BRICS countries are no longer the engine - BRICS credit downgrade”. On June 22 “Russian Business Advisory Daily” published the writing of Alexei Baltansky, professor of the faculty of economics and international Politics, the Russian Institute of Higher Economy, entitled “Should Russia Turn East”, that all modernization processes in Russia are carried out with the active participation of the Western and now The BRICS economies including China are likely to brake, “betting the developing countries is reasonable ?”, these arguments show that Russia has been greatly influenced by the “Eurocentrism”.

2. **Russia concerns its status of in the BRICS.** Most scholars believe that BRICS countries have a bright political future, and the BRICS mechanism reflects a harmonious coexistence of different civilizations and different political systems, as well as aspirations to seek common development. But in this mechanism, China occupies a special economic status. Director of Russia's Scientific Political Ideology and Ideology Center, Stepan Sulakshi believed that the Russian position in the BRICS mechanism was uncertain, as its economic situation was not good, and in a downward trend. "If this trend does not change, as Russia's prospects in the BRICS countries will be China's satellite, raw material suppliers, talent suppliers, as well as economic disability in significant contrast with China". The above-mentioned concern has always existed in Russia, showing that Russia is not confident after the economic development model is in trouble.

3. **Many problems exist in BRICS countries.** These problems are: first, the interests for reform of the United Nations Security Council are inconsistent. India and Brazil
believes that today the Council can’t correctly reflect their political and economic status. China and Russia should play a catalytic role in the reform of the UN Security Council to help them join. But China does not want them to have the veto. Russia appears to support India on the surface, but it also tries to complicate matters. Second, Sino-Indian relations are more complicated. There are two main aspects, one is the territorial dispute, the two sides have not yet resolved signs; the other is India's trade deficit with China on the rise, the two sides may increase economic friction. Third, Russia is trying to give the BRICS a confrontation with the Western, which is not in the interest of other countries. For example, other countries have taken a neutral stance on issues such as Ukraine. These problems are commonplace, and to exaggerate BRICS internal problems has been the means by which the Western “slander” BRICS mechanism. These “reminder” also shows that some Russian experts and scholars are affected by Western propaganda and makes its endorsement.

4. BRICS countries lack the legal basis. Many scholars have suggested that so far, the BRICS mechanism is only an informal organization and does not have headquarters, there is no physical secretariat. From a legal sense, the BRICS mechanism is not an international organization, but a geopolitical club. At the BRICS summit, the governments had to implement the leadership’s decision, in fact, there is no legal basis. The development of the BRICS mechanism depends largely on bilateral relations, and when the contradictions and differences become larger, the level of foreign cooperation will be greatly reduced. Russia has always hoped that the BRICS to have a “mechanism”. Tololaya, Executive Director of the Russian BRICS Research Committee, has long proposed that the establishment of the BRICS secretariat was imminent. These bona fide criticisms are a reflection of Russia's desire to accelerate the “substantiation” of the BRICS.

IV. Thinking and suggestion about BRICS mechanism construction and

113 “БРИКС: «союз реформаторов» в рамках национальных интересов”, Кирилл Лихачев, Станислав Ткаченко, Russian Council of International Affairs: http://russiancouncil.ru/inner/?id_4=6190#top-content
cooperation from all walks of life in Russia

Russian officials and scholars have considerations and recommendations on further development of BRICS as follows:

1. **Russia hopes to continue to promote the implementation of the project.** Russia’s Vice Foreign Minister, and Coordinator BRICS Mechanism, Riyabkov said that at the Golden BRICS Summit, we will develop a specific list of projects, covering infrastructure, innovation and other fields. From the consensus, to expand cooperation plans to the specific daily work, there will be no empty talk and stereotypes. In his outgoing presidency, Russia issued the “Summary Report on the Russia’s Presidency of the BRICS in 2015-2016”, which detailed the work of Russia in the year and put forward ideas for the follow-up work of each event. For example, in July 2015, Russia hosted the BRICS Roundtable on Supporting Small and Medium-sized Enterprises (SMEs). In its report, Russia suggested that a regular dialogue platform should be set up. In December 2015, Russia held a “BRICS ‘single window’ meeting”, Russia made a proposal in the report: the next step to ask for the economic and trade minister to implement the “single window” implementation plan.

2. **The BRICS mechanism should develop plans for deterioration of the economic and financial situation.** At present, the biggest problem for the BRICS countries is the economic downturn. Russia's economy is downturn, Brazil, and South Africa fell in trouble, and China's economy also decline. How the BRICS as a whole to deal with? If one country's economy, for example, Brazil, happening to a sharp deterioration, how the BRICS involve in the rescue? So far, the BRIC countries have not the program to resolve, only the intention of cooperation. Russian scholars suggested that it was necessary to discuss these issues in-depth in India and make up programs at the eighth BRICS Summit in 2016.

3. **Whether it can be considered to expand through the BRICS’s financial mechanism.** On the issue of BRICS expansion, Russia has different voices. On August 15, 2016, Russian Foreign Minister, Sergei Lavrov said that the BRICS temporarily did not consider the expansion. President of the Russian Federation Council, Valentina Matviyenko said that if ready, Argentina was expected to join the BRICS. Part of
Russian experts, the BRICS temporarily does not expand, does not mean that the BRICS’s other mechanisms not expand. For example, the BRICS Development Bank is an entity that can absorb new members through financial institutions, to achieve expansion in disguise, such as the absorption of Argentina and so on. This can expand the scope of economic cooperation, but also enhance the political weight of the BRICS.

4. **The BRICS countries can cooperate with the Islamic world.** The BRICS countries and Islamic countries have a common language in economic cooperation and international affairs. Both the Islamic world and the BRICS countries belong to the non-Western world. “The whole Islamic state is dissatisfied with the hegemonic of the United States and unipolar world” 114, said Gloria Torolaya, executive director of the National Committee for the Study of the BRICS in Russia, “the future inclusion of Islamic civilizations in the BRICS is perfectly justified, such as Indonesia or Turkey” 115.

5. **Russia should adhere to build the BRICS Energy Policy Research Institute and the establishment of Energy Reserve Bank.** BRICS countries should set up their own energy research institutes and energy cooperation platform to deal with the global energy market, basic research, give the assessment and forecast without bias, which have practical significance to all BRICS countries, greater to Russia. In November 2015, at the BRICS energy ministers meeting, Russian Energy Minister, Alexander Novak said the BRICS countries should track their own energy development trends in the world, the current international agencies’ data does not meet the interests of the BRICS countries. Russia hopes to build up a new energy system under the BRICS mechanism, which is guaranteed by both producing and consuming countries.

6. **Discuss a viable reform plan of the United Nations Security Council in considering the interests of India and Brazil.** Some scholars have suggested that there is no need to avoid discussing internal problems among the BRICS countries, it should...
be recognized that a compromise to make India and Brazil to join the UN Security Council can help to increase BRIC’s influence.

7. **Russia plans to work with China to propose to simplify trade barriers among the BRICS countries.** On December 22, 2015, Chairman of the Russian Chamber of Commerce and Industry, and President of the BRICS Business Council, Sergei Katrin said Russia and China at 2016 BRICS summit will propose an action plan to eliminate barriers to trade and to further promote the BRICS economic and trade exchanges between member states.

8. **BRICS countries should seek the veto share of IMF.** The world's financial instruments under control of the Western are the International Monetary Fund (IMF) and the World Bank. Developing countries represented by the BRICS have a little right to speak. In December 2015, Russian Foreign Minister, Sergei Lavrov said that through efforts, the BRICS countries obtained 14.7% of the International Monetary Fund's share. However, the BRICS countries should go for 15%, so that the BRICS can have the same veto power as the United States do. Indian Prime Minister Modi also put forward a similar idea, and proposed in 2017 the IMF should once again consider the allocation of shares.
2016 BRICS Country Report • India
2016 BRICS Country Report • India

India is the rotating presidency of the BRICS mechanism in 2016. The eighth meeting of the BRICS leaders will be held in Goa of southern India, on October 15-16, 2016. This meeting was themed at “Building Responsible, Inclusive and Collective Solutions” (abbreviated as BRICS) and focused on mechanism construction, implementation of outcomes and humanities exchange. India hopes that the outcome of the summit can highlight the “shiny” performance of Indian economy, reflecting India’s leadership in the BRICS mechanism and imprint.

I. Indian political dynamics and economic development assessment in 2016

2016 is the 25th anniversary of India’s economic reform that began in 1991. Two years after Prime Minister Modi’s reign, he took advantage of his party’s power in the parliament and pushed forward reform initiatives to restore rapid economic growth. In 2016 the international situation changes, and the world economic recovery is slow, geopolitical problems are more prominent, global challenges emerge from time to time, BRICS countries also face some new situations. First, complex and difficult factors in the external environment increase, and the uncertainty of world economic growth also increases. Second, affected by internal and external factors, BRICS countries generally slow economic growth, development entering into the adjustment period. Third, the international voice of debuting BRICS countries doesn’t stop. 116

BRICS countries are still the locomotive driving the world economy. The World Economic Outlook Analysis report from The World Bank in June 2016 believes that the BRICS countries will continue to be the locomotive of global economic growth. Although Russia and Brazil encounter economic hardship recently, the BRICS remain the engine of the world economy and the main contributor to global economic growth.

India is expected to grow by 7.6% and 7.7% in the next two years respectively, China, 6.7% and 6.5%, and South Africa, 0.6% and 1.1%.

In fiscal year 2015-2016, India's economic data were more impressive than other BRICS economies. India's economy is relatively closed, so the world trade deceleration has little effect on it. The fall in oil prices is absolutely favorable for India, which has led to lower inflation, interest rates and deficits. Indian Central Bureau of Statistics data show that in fiscal year 2015-2016 India’s economy grows by 7.6% and in the first quarter of 2016, its GDP grew 7.9% year on year, marking India as the world's fastest-growing economy. India’s inflation rate fell to less than 6%, fiscal deficit ratio down to 3.5%. IMF’s “Asia-Pacific Economic Outlook Report” predicts that in the fiscal year 2016-2017 India will remain unchanged at 7.5% growth rate. But at the same time, European and American rating agencies are still strongly questioned the Indian government’s economic data statistics, believing that the real GDP growth rate of India may be only half of the published. The governor of Indian Central Bank ruined his career just because he questioned the Indian economic statistical methods, and opposed excessive economic stimulus measures.

Modi’s Government has drastically reformed its business environment to attract foreign investment. In June 2016, Indian government made a substantial readjustment of its foreign investment policy. It planned to abolish all or part of the technical standards for investment projects and requirements of local design and production for foreign brands in the fields of civil aviation, defense, medicine, insurance, electricity, animal husbandry, communications, broadcasting and trade. The government informed that India’s foreign direct investment grew by 53% between 2015 and 2016, with growth reaching a new high record, mainly due to the overall reform of foreign investment policies and a constantly improving investment environment, stable prices, sound fiscal policy, and bettering macroeconomics. In August 2016, Article 122 of the Constitutional amendment on the GST (Goods and Services Tax) passed in the Indian Parliament. India has finally taken a historic step and will establish a unified

117 “Indian Finance Minister: India’s FDI growth over the past two years is 53%”, on website of Chinese Business Information Agency in India, July 20, 2016.
national tax system. The new tax system, if implemented, the system dividend will release and drive the GDP growth in India at least by 1.5-2%, and manufacturers can greatly reduce tax costs.

To maintain a long-term high-speed economic growth, India still needs a lot of continuous reform to eliminate obstacles to economic development. British economist Martin Wolff made four conclusions after inspected India: first, since taking office in 2014, Indian People's Party government under Modi’s leadership maintains the policy continuity, but far from implementation of market-oriented transformation as naively expected by many supporters. Second, the short-term performance and development prospects of the Indian economy over two years seem to be commendable. Third, the Indian economy has great potential, and the performance of the medium-term should be good, but with the premise that the Modi’s government had to effectively implement the already planned reform. Fourth, India is also faced with external and internal risks, success not taken for granted. 118 India’s “Land Requisition Law” reform and labor market reform and other reform highlights of the Modi’s government seem difficult to achieve. The infrastructure investment Modi committed also has a long way to go. 119 India’s overall quality of education is poor, lacking of competitiveness of important product markets, and the information technology industry seems to have lost momentum. Although low oil prices and statistical methods have changed, making India GDP statistics very bright, India is still poor performance in exports, Mumbai stock exchange fell by 5% over previous year.

At the same time, Indian economic nationalism rises. In July 2016, the Indian Ministry of Commerce and Industry disclosed that it would renegotiate all expired BITs and replace them with new BITs. The new BIT template is determined by taking into account balance of investors’ interests, government obligations, protection of Indian interests abroad and foreign investors’ interests. India’s strong protection of the domestic market limits its ability to participate in the global value chain.

119 “The four BRICS countries become the world economic stumbling block”, Japan, “choice” monthly magazine, issue October 2015.
II. New economic and trade cooperation between India and other BRICS countries

(1) India’s trade and investment links with China

According to Indian statistics, in fiscal year 2015-2016, the bilateral trade between China and India fell from 70.7 billion US dollars in the previous fiscal year to 70.7 billion US dollars. India’s trade deficit with China increased from 48.48 billion US dollars in the previous fiscal year to 52.68 billion US dollars. Indian Ministry of Commerce and Industry believes that the increasing the trade deficit with China results from changes in Sino-Indian mutual imports. The Indian government has taken measures to address market access and non-tariff barriers to China and revitalize exports by expanding the scope of trade, paying attention to exports of manufactured goods and export of services. India mainly imports from China telecommunications equipment, computer hardware, and electronic components, chemical and pharmaceutical raw materials. India mainly exports to China ore, raw materials, leather, steel, plastics and cotton.¹²⁰

By August 2016, China’s cumulative direct investment in India exceeded 4 billion US dollars. Following the Dalian Wanda, the Huaxia Xingfu and Haryana signed a memorandum of cooperation, planning to spend huge sums of money to build an industrial park. Haier Group’s plant in Pune made a substantial expansion of production capacity. Fosun Pharmaceutical announced to acquire 86% of the shares of India Grande Pharmaceutical Company using 1.26 billion US dollars. China’s railway sector is working with Indian partners on the Chennai-Mysore railway upgrading project.

To gain international market competitiveness and boost domestic industrial development, India frequently launched trade remedy measures against China. According to the statistics of the Chinese Ministry of Commerce, in the first half of 2016, among 65 cases of trade remedy investigations initiated abroad against China, there were 46 cases of anti-dumping cases. The United States and India became the most countries to initiate trade remedy investigations to China, 18 and 15 cases.

¹²⁰ “In 2016’s fiscal year India trade deficit with China increased to 52.6 billion US dollars”, Indian “Economic Times”, August 1, 2016.
respectively. And the countries investigating the largest amount of money involved were also the United States and India.

(2) India’s economic and trade investment links with Russia

The key priority agenda for the Indian-Russian government is to make the pillars of the economic partnership of the two countries as strong as the other pillars that underpin the strategic partnership. In December 2015, the two countries signed a simplified visa formalities agreement, to facilitate business contacts more convenient. Both leaders established the goal of bringing bilateral trade to 30 billion US dollars by 2025. In 2015, India-Russia bilateral trade volume reached 7.83 billion US dollars, down by 17.74% over previous year. Among them, India’s exports to Russia were 2.26 billion US dollars, imports from Russia, 5.57 billion US dollars. India mainly exports medicines, tea, coffee and tobacco, nuclear reactors and boilers, mechanical and mechanical equipment, organic chemical products, mechanical and electrical equipment to Russia. India mainly imports pearls, precious stones and semi-precious stones, precious metals, nuclear power equipment, electrical machinery and equipment, mineral oil and its products, iron ore, steel, optical precision instruments and surgical equipment.

India invested a total of 8 billion US dollars in Russia, including Imperial Energy Tomsk, Sakhalin I Oil and Gas Project, Volzhsky Abrasive Works Volgograd, Commercial Indo Bank. Russian investment in India totaled 3 billion US dollars, mainly from Russia’s Kamaz Vectra Automobile Manufacturing Company, the Russian Federal Savings Bank (Sberbank), VTB Russia. 121

(3) India’s economic and trade investment links with Brazil

Brazil is one of India’s most important trading partners in Latin America and the Caribbean region. In recent years, India and Brazil have continuously deepened their economic and trade cooperation, and bilateral trade volume has continued to expand (see Table 1).

Table 1 Bilateral trade between India and Brazil, 2008-2015 (Millions US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>India’s exports</th>
<th>India’s imports</th>
<th>Balance/Deficit</th>
<th>Total trade volume</th>
<th>Growth(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3,564</td>
<td>1,102</td>
<td>2,461</td>
<td>4,666</td>
<td>49.23</td>
</tr>
<tr>
<td>2009</td>
<td>2,191</td>
<td>3,415</td>
<td>-1,224</td>
<td>5,605</td>
<td>20.12</td>
</tr>
<tr>
<td>2010</td>
<td>4,242</td>
<td>3,492</td>
<td>750</td>
<td>7,734</td>
<td>37.97</td>
</tr>
<tr>
<td>2011</td>
<td>6,081</td>
<td>3,201</td>
<td>2,880</td>
<td>9,282</td>
<td>20.00</td>
</tr>
<tr>
<td>2012</td>
<td>5,043</td>
<td>5,577</td>
<td>-544</td>
<td>10,620</td>
<td>14.41</td>
</tr>
<tr>
<td>2013</td>
<td>6,357</td>
<td>3,130</td>
<td>3,227</td>
<td>9,487</td>
<td>-10.67</td>
</tr>
<tr>
<td>2014</td>
<td>6,635</td>
<td>4,789</td>
<td>1,846</td>
<td>11,424</td>
<td>20.40</td>
</tr>
<tr>
<td>2015(Jan-Sep)</td>
<td>2,591</td>
<td>3,379</td>
<td>787</td>
<td>5,980</td>
<td>---</td>
</tr>
</tbody>
</table>


During the year from 2015 to 2016, with recession of Brazil’s economy and political instability, Indian-Brazilian trade volume fell to 6.69 billion US dollars, but Brazil is still the number one trading partner to India in Latin America. Crude oil / diesel oil trade accounts for nearly half of bilateral trade. Among them, India’s exports to Brazil were 2.65 billion US dollars, the imports from Brazil, 4.04 billion US dollars. India mainly exports medicines (316 million US dollars) diesel, organic chemicals, engineering equipment, and textiles to Brazil. India mainly imports crude oil (1.2 billion US dollars), sugar, soybean oil, copper ore, and gold (205 million US dollars) from Brazil. 122

As for investment, according to statistics from the Indian Central Reserve Bank, since July 2007, the total amount of India’s direct investment in Brazil has accumulated 5 billion US dollars, mainly in the information technology, pharmaceutical, energy, agricultural economy, mining, engineering, and automotive. Tata Group, Wipro, Infosys, Cadilla Pharmaceuticals, Mahindra, L&T Group, Renuka Sugars Corporation, United Phosphorus, Polaris Software and other well-known Indian companies and

122 Bloomberg: “The Mexican market has become India’s largest market in the Latin American market, but the trade volume declined between India and Latin America” http://www.fdi.gov.cn/1800000628_17_1616_0_7.html
enterprises are very active in Brazil. Brazilian investment in India mainly concentrated in the automotive, information technology, mining, energy, bio-fuels, and footwear. Brazilian companies that invest in India include Marco Polo, CVRD, Stefanini (Software outsourcing service), Gerdau steel group.  

(4) India’s economic and trade links with South Africa

India and South Africa have a special relationship, and their economic and trade investment is closely linked. For recent two or three years, the trade volume between the two countries has reached 10-110 billion US dollars, always placing India in deficit position (see Table 2). In the fiscal year 2015-2016, the trade volume between the two countries was 9.495 billion US dollars. India mainly exports vehicles and their components, transport equipment, pharmaceuticals, engineering equipment, footwear, dyes and intermediates, chemicals, textiles, rice, precious stones and jewelry to South Africa. India mainly imports gold, steam coal, copper ore and concentrate, phosphoric acid, manganese ore, aluminum ingots and other minerals from South Africa.

India's main investors in South Africa include Tata Group (Automotive, IT, Hotels and Ferrochromium plant), Mahindra Motors, Ranbaxy and CIPLA Pharmaceuticals, and a number of mining companies. South African investment in India mainly includes the SAB Miller Group (beer), the South African airport company ACSA (upgrading service to India’s Mumbai Airport), SANLAM and Old Mutual Insurance Company, South Africa Joint Technology Limited (Altech, set-top box), Adcock Ingram Pharmaceuticals, Rand Commercial Bank, and First National Bank. 

Table 2 Bilateral Trade between India and South Africa, 2005-2016 (Millions US dollars)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>India’s exports</th>
<th>India’s imports</th>
<th>Total trade volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2006</td>
<td>1,526.87</td>
<td>2,471.80</td>
<td>3,998.67</td>
</tr>
<tr>
<td>2006-2007</td>
<td>2,241.61</td>
<td>2,470.14</td>
<td>4,711.75</td>
</tr>
<tr>
<td>2007-2008</td>
<td>2,660.75</td>
<td>3,605.35</td>
<td>6,266.10</td>
</tr>
</tbody>
</table>

III. India’s view at status quo and prospects of the development of BRICS cooperation mechanism

(1) India’s Prime Minister Modi appraised “BRICS” as a hope to the world. As India takes the rotating presidency of BRICS for 2016, India’s economy has better performance than the remaining BRICS countries, Modi highly praised the BRICS mechanism, believing that “in the global flood of political, security, economic challenges, the BRICS mechanism is an important pillar of the world's hope”.125

(2) Indian officials said they will promote the implementation of the BRICS consensus. India, after assuming the rotating presidency of the BRICS, said that it will make efforts to promote the implementation of the consensus reached by the member countries and strengthen the cooperation mechanism. India will put the financial cooperation framework of the BRICS countries in an important position, and meanwhile promote the pragmatic cooperation in various fields. India also plans to organize BRICS members to discuss major global issues, including the United Nations Millennium Development Goals, anti-terrorism, climate change, food and energy security, and preventing spread of mass-destruction weapons. 126

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125 Modi, “BRICS is an important pillar of hope in the world, which is filled with political security and economic challenges.” See BRICS official website: www.brics2016.gov.in/content/.
126 Qiang Wu: “Indian officials said they will promote the implementation of the BRICS consensus”, Xinhua News Agency, New Delhi, February 20, 2016.
(3) Indian experts believe that the BRICS countries can take the mechanism to take what they need.

Samir Saran, vice president of the Indian Observer Research Foundation, said the statement issued by the BRICS Ufa summit was a “list that would meet the expectations and aspirations of the member countries”. Russia views the BRICS as a counterweight to the eastward expansion of the Atlantic alliance. The BRICS platform has a number of key benefits to China’s national programs, including facilitation of RMB internationalization, realization of a free trade zone, and the diversification of product markets. The BRICS provides Brazil with a free ride to realize its own partnership program. South Africa will be the center of the BRICS’s entry into Africa. The BRICS will provide India with the flexibility it needs and increase its contacts with China and Russia. 127

(4) The BRICS mechanism is conducive to the five countries to coordinate their policies and promote global growth.

Kamath, Indian president of the BRICS New Development Bank, said that despite of the BRICS economic slowdown, they contribute together to the global growth more than other countries, and the five countries still have growth space. China’s 6,100 billion US dollars interbank bond market is currently the only viable debt-market financing option for BRICS, and the BRICS are not yet sure how China’s exchange rate policy will affect the plan for all BRICS countries to serve. The main strategy of the new development bank is to limit borrowing costs by using local currency loans, but it is uncertain how the raised RMB funds can be exchanged for other currencies to provide loans for projects in other BRICS countries. 128

(5) The BRICS mechanism should pay more attention to the economy than the strategy, avoiding fight-off of the West.

“The goal of the new development bank is not to challenge the existing system, but to optimize and complement it in the way that we are” 129, said Kamath, Indian president

127 Samir Saran, “From the Cold War to the Peace: Why the Powerful BRICS’s relationship is significant,” on website of the US “National Interest”, July 14, 2015.
128 “President of the BRICS Bank said the bank intended to finance through issuing bonds in China”, the United States, on website of “Wall Street Journal”, March 11, 2016.
of the New Development Bank. Panda, a scholar of the Indian Defense Research and Analysis Institute, believed that the BRICS mechanism was just used to amplify the voice and representativeness of developing countries in global governance but not to strategically challenge the western dominance or estrange from the West. The BRICS mechanism was only a “serious mechanism, but far from key regional cooperation” in India’s multilateral dialogues. It was indeed a strategic reality for India to share the BRICS platform with China, but this was not mandatory. The US and Europe were still India’s strategic priority, and India didn’t want to offend the West for the BRICS. 130

IV. Specific proposals of Indian political and academic circles on construction of the BRICS mechanism and the BRICS countries’ cooperation.

(1) Suggest establishment of the “BRICS Agricultural Research Center”
India’s Prime Minister Modi suggested that the BRICS countries should set up a Agricultural Research Center (BRICS Agriculture Research Center), the center will be a “big gift” the BRICS mechanism bring to the world. 131

(2) The BRICS countries should find “mortar to bond the gold BRICS”
South Asian senior banker, Deepak Kumar, believed that the BRICS countries had no intention to lead all the primary political relations or ideology. There was no reason for them to see other countries as obvious partners. To reconcile the BRICS economic strategy, they needed to do the following three things: 132

First, the BRICS countries must establish a broad political support to bridge the “geographical, cultural and political differences” in order to achieve common goals and interests. The benefits of science, education, and cultural exchange will help countries to form a coalition around shared values and mutual assistance.

Second, take advantage of each country’s own advantages to build a supply and value chain. China's manufacturing industry, India’s technology, South African’s finance, Brazil's agricultural economy, Russia’s energy and mining resources, all need

131 See BRICS Official Website: www.brics2016.gov.in/content/.
to be integrated into a complete value chain to drive employment and increase productivity.

Third, strengthen trade and market access cooperation between BRICS countries. A number of legislative initiatives shall be taken to support policy decisions on taxation, financial investor protection, asset flows and currency exchange, which will allow conditional cooperation between central banks, private investors and national trade sectors.

(3) Expand the financial cooperation between BRICS countries.

Mina, an Indian expert at the BRICS issues, believes that the BRICS countries have abundant capital, and huge mutual investment potential. The “New Development Bank” will not only promote the trade between BRICS countries, but also have a significant impact on the international financial system, and even as a “new mechanism” to substitute the western financial institutions such as the International Monetary Fund (IMF) and the World Bank. \(^1\)

(4) With unified voice of the BRICS mechanism, strengthen internal trade coordination, and enlarge the voice of emerging and developing countries in the construction of a new international order.

Viswanathan, an investigator of the Indian Observer Foundation, believes that the BRICS mechanism essentially do not conflict with the western countries. In current context of globalization, the prosperity and development of the emerging and developing countries will bring opportunities to the world, including the developed countries. Without the progress of developing countries, the prosperity of the western countries will not be sustainable. \(^2\) The BRICS countries should play a greater role in building a new international order. The BRICS forum should be expanded to increase the BRICS’s position in the World Bank and the IMF. The BRICS countries shall organize trade groups to promote trade facilitation, and reduce non-tariff barriers and achieve synergies through such cooperation. The BRICS countries are neither TPP nor TTIP members, and they should strengthen bilateral trade agreements nor internal trade

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coordination, argued Natalagi argues, researcher of the foundation. ¹³⁵

¹³⁵ China Network, November 6, 2014.
South Africa in the Adversity Actively Participate in Construction of the BRIC Cooperation Mechanism

- 2016 BRIC Country Reports (South Africa)
South Africa in the Adversity Actively Participate in Construction of the BRIC Cooperation Mechanism

- 2016 BRIC Country Reports (South Africa)

I. South Africa's politics and economy faces new challenges

(I) Political predicament

1. President Zuma encounters increasing resistance

Since coming to power in 2009, President Zuma has been criticized by public opinion at home and abroad for policy mistakes and corruption scandals. The voice of asking the president to step down from the South African opposition has also emerged from time to time. In December 2015, Zuma twice in a week replaced the finance minister, triggering the South African Stock Exchange, the Johannesburg Stock Exchange plunge, and hitting foreign investment confidence in South Africa's economic and investment. International rating agencies have also lowered the sovereign credit rating of South Africa. Standard & Poor's and Fitch downgraded South Africa's credit rating to “BBB-“, only one level above the junk level. Moody's rating for South Africa also dropped to “Baa2”. The “decoration door” incident, related to Zuma’s private residence in his hometown Enkandela, continues fermentation for six years, also have a negative impact on Zuma’s credibility. On March 31, 2016, the Constitutional Court of South Africa ruled that Zuma had to pay part of the cost of renovating its private residence, which had nothing to do with presidential security (such as reception centers, bullpens, chicken farms, swimming pools and theaters). On April 5, the “Democratic Alliance” (DA), together with other opposition parties in the parliament launched an impeachment against Zuma. The impeachment case was thwarted by the absolute dominance of the ruling ANC in parliament. Nevertheless, on September 12, Zuma paid the above up to 780 million rand (US $550,000) of renovation.136 In addition, the close

relationship of Zuma’s family and India Gupta’s giant family is also the focus of speculation under public opinion from time to time\textsuperscript{137}. All the things have shaken Zuma's ruling position. Joining the BRIC mechanism is one of the main diplomatic achievements of the Zuma’s government. Zuma’s diplomatic move close to China, Russia and India is viewed by some observers as a “rebalancing” that the South African government deviates from the West\textsuperscript{138}. In this case, it’s easier to understand that the international public opinion whipping Zuma's ruling mistakes and corruption scandal.

\textbf{2. The support for “ANC” declined}

On August 3, 2016, South Africa held every five years of local government elections, elected government officials for more than 200 cities and more than 4,000 administrative regions across the country, as well as the seats of parties in the local council. Eight highly autonomous cities have a pivotal position in the local elections: Pretoria (formerly known as Tswana), Johannesburg, Cape Town, Nelson Mandela Bay (formerly known as Port Elizabeth), Buffalo (formerly known as East London), Durban (also known as Edguni), Bloemfontein (also known as Man Kwang) and Trogman (Tlokwe). These cities have a large population and a large economy. They have a lot of authority in municipal sanitation, electricity, road maintenance, parks, law and order and land rights. The election results show that the ANC's national support dropped from 61.9\% in 2011 to 53.91\%. The support rate of the largest opposition Democratic Alliance rose from 23.9\% to 26.92\%. The “Economic Freedom Soldiers Organization” and the “Ikata Liberal Party” enjoyed the support rate of 8.18\% and 4.26\% respectively\textsuperscript{139}. In the competition of eight major cities, the “ANC” won the absolute majority, more than 50\% of 50\% votes only in Buffalo, Bloemfontein and Durban, to obtain a separate cabinet. The “National Coalition” consolidated its ruling position in

\textsuperscript{137} Zhongdong Li: “South Africa: President Zuma is constant dispute”, "Prosecution situation", May 15, 2016.


Cape Town and secured a relative majority (less than 50%) in Pretoria and Nelson Mandela Bay. In the economic centers, Johannesburg and Troy, the “ANC” won, but the vote did not exceed 50%. This means that the “ANC” and the “Democratic Union” will be in joint governance in Pretoria, Johannesburg, Nelson Mandela Bay City and Troy. The “ANC” one-party dominance has been broken first in local government, which may spread to the provincial government and the central government in future. In the Western Cape, the “Democratic Union” thrived, in addition to Cape Town, also won at least 15 municipalities in the province. The “ANC” party commented that the Western Cape Province might become an “independent kingdom”. Therefore, the local elections, the “ANC” had not only the country's support declined, but also lost control of several cities and other cities. Nevertheless, the “ANC” remains the largest political party in South Africa, and its influence in most of South Africa, particularly in rural areas, remains enormous and its governing position should not be shaken in the short term.

3. Extraterritorial unrest, demonstrations and political murders occur from time to time

In April 2015, large-scale extraterritorial riots occurred in Durban and Johannesburg, lasted for nearly three weeks, and resulted in at least six deaths and more than 5,000 foreign immigrants seeking political asylum. The most affected were mainly from Mozambique, Nigeria, Zimbabwe and Malawi and other African countries. In South Africa, strikes and demonstrations continue unabated, with coal miners or other labor organizations frequently resorting to layoffs due to unemployment and pay. By the end of 2015 Zuma fired two finance ministers, tens of thousands of people in Cape Town, Johannesburg and Pretoria and other cities held demonstrations, asked Zuma to step down. During the 2016 local election campaign, political murders and election-related riots ensued, killing at least 25 people, including 14 candidates (mostly the

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members of “ANC”), and in June in the administrative capital of Buerto Leah, the mass harassment cast a shadow over the election\textsuperscript{142}. Political murders have occurred in Gauteng, Eastern Cape, North-West, Limpopo, Pumalanga and KwaZulu-Natal, especially in Limpopo and KwaZulu-Natal\textsuperscript{143}.

(II) Economic difficulties

1. Multi-economic indicators suggest that the South African economy is under structural pressure

South Africa's economic growth in recent years becomes slow, with weak development. Affected by the global macroeconomic downturn, South Africa’s pillar industries, including gold, platinum, iron ore and coal mining declined and the manufacturing went downturn. Rand exchange against the US dollar continued to fall, but it did not play to boost exports, or enhance the competitiveness of manufacturing. For the past two years, South Africa suffered a rare drought in history, agricultural output dropped significantly. High unemployment, high inflation, low growth and high deficits were the main features of South Africa's economic situation. Among them, slowdown of the global economic recovery, decline in commodity prices, reduction in imports of Europe and the United States and other emerging markets such as China, were all the external structural factors that South Africa couldn’t control. As the Federal Reserve raised interest rates, South Africa's inflows of foreign direct investment were lower than outflows, foreign direct investment shrinking, financing environment deteriorating and costs rising. South Africa's own economic structure also has a major flaw, not able to make a fundamental change in exports of raw materials and primary products, imports of manufactured goods in international trade pattern, leading to growing trade deficit, the balance of payments pressure. The South Africa’s basic economic indicators for recent years are listed in Table I.

\textbf{Table 1: Economic overview of South Africa, 2014-2016}

Population (2015) 5.496 million
Land area 1,213,090 square km
GDP volume (2015) 31.28 billion
GDP growth (2015) 1.3%
Inflammation (2015) 4.6%
CPI, August 2016 5.9%
Rand exchange against the US dollar (Sep, 2016) 13.5960
FDI inflow (million US dollars, 2014) 5712.31
FDI outflow(million US dollars, 2014) 6937.54
Current account balance (GDP ratio, 2014) -5.46%
Import and export trade balance (GDP ratio, 2014) -1.88%


In 2016, South Africa's economic growth is forecasted by the relevant agencies to repeatedly lower, the outlook is not optimistic, see Table 2.

Table 2: 2016 Latest forecast for South Africa's GDP growth

<table>
<thead>
<tr>
<th>The World Bank</th>
<th>0.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>The International Monetary Fund</td>
<td>0.1%</td>
</tr>
<tr>
<td>African Development Bank</td>
<td>0.7%</td>
</tr>
<tr>
<td>South African Central Bank (Reserve Bank of South Africa)</td>
<td>0%</td>
</tr>
</tbody>
</table>


In 2011-2015, the deficit in international trade in goods and services was increasing year by year, exacerbating its economic difficulties. See Table 3 - Table 4.
Table 3: South Africa's trade with the rest of the world in 2011-2015 (Unit: 1,000 US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Import</th>
<th>Total Export</th>
<th>Import and Export Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>102,698,696</td>
<td>107,946,318</td>
<td>5,247,622</td>
</tr>
<tr>
<td>2012</td>
<td>104,144,311</td>
<td>98,872,228</td>
<td>-5,272,083</td>
</tr>
<tr>
<td>2013</td>
<td>103,441,284</td>
<td>95,111,531</td>
<td>-8,329,753</td>
</tr>
<tr>
<td>2014</td>
<td>99,892,738</td>
<td>90,612,104</td>
<td>-9,280,634</td>
</tr>
<tr>
<td>2015</td>
<td>79,590,945</td>
<td>69,631,083</td>
<td>-9,959,862</td>
</tr>
</tbody>
</table>

(Source: http://www.trademap.org/Product_SelCountry_TS.aspx)

Table 4: Status of South Africa's Trade in Services with Other Countries, 2011-2015 (Unit: 1,000 US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Import</th>
<th>Total Export</th>
<th>Import and Export Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>20,866,300</td>
<td>17,346,400</td>
<td>-3,519,900</td>
</tr>
<tr>
<td>2012</td>
<td>18,914,400</td>
<td>17,639,800</td>
<td>-1,274,600</td>
</tr>
<tr>
<td>2013</td>
<td>18,054,400</td>
<td>16,815,200</td>
<td>-1,239,200</td>
</tr>
<tr>
<td>2014</td>
<td>17,042,100</td>
<td>16,837,300</td>
<td>-204,800</td>
</tr>
<tr>
<td>2015</td>
<td>15,531,100</td>
<td>15,053,700</td>
<td>-477,400</td>
</tr>
</tbody>
</table>

(Source: http://www.trademap.org/Service_SelCountry_TS.aspx)

2. Measures the government takes to reverse the economic downturn

The South African government took measures to increase economic reform efforts, hoping to curb the economic downturn, and boost growth. First, the “investment in South Africa” program was implemented to improve the investment environment. The government launched a one-stop shop for foreign companies interested in investing in South Africa, reducing cumbersome procedures and speeding up approval and registration. Second, efforts were made to solve the labor problem, ease the tension between labor and capital. The government intended to establish a feasible minimum wage standard throughout the country to stabilize the labor market and actively promote labor negotiations in the area of platinum mining and automobile manufacturing. Third,
relax the visa policy to attract more foreign tourists to South Africa tourism, revitalizing the tourism industry. Fourth, reform state-owned enterprises and encourage the development of the private sector, put efforts in agriculture, and increase employment opportunities in construction and financial services. In addition, the South African government has repeatedly stressed the importance of increasing infrastructure investment, the development of manufacturing, increasing the added value of raw materials exports, improving social welfare and people's livelihood expenditure, and promoting consumption and production of the importance of measures. It remains to be seen whether these counter-cyclical adjustment measures will bear fruit.

3. Economic development highlights still exist

Although the South Africa's economic situation is dim as a whole, there are some development highlights. In the second quarter of 2016, South Africa's economic performance was better than expected, with retail and manufacturing sectors being the highlight. Retail sales rose by 4.5% in May, better than 1.6% of forecast, the strongest growth since January 2014. And manufacturing rose by 4%, a new high record for the past 10 months. In July 2016, IMF data showed that South Africa’s economic aggregate surpassed Egypt’s, returning to Africa's second largest economy. Despite the impact of the Rand's devaluation on South Africa's economy, the gap between South Africa and Africa's first economy, Nigeria, shrank from US $ 170 billion in 2015 to US$ 60 billion. If the statistics is made in exchanges of Rand and Nara, South Africa's GDP in 2015 was more than Nigeria’s, restoring Africa's first economic status. South Africa’s finance, real estate and business services industry has maintained growth. Since March 2016, South Africa’s business confidence index has increased, thanks to import and export volumes increasing, stock prices rise and the Rand exchange rate rebounding. In addition, with dialogues between the South African government and

the industrial and commercial circles, labor organizations, as well as the influence of the good news above, the crisis of the sovereign credit rating of South Africa was also eased.

II. New Situation of Economic and Trade Cooperation between South Africa and Other BRIC Countries

(I) BRIC countries are very important for South Africa's import and export trade

For a single BRIC member country, China and India are increasingly associated with South Africa's economy. China has been South Africa's largest trading partner since 2009. According to the volume of import and export trade South Africa between the BRIC countries, Russia, Brazil, India, and China are ranked increasingly, as shown in Table 5 - Table 8.

**Table 5: South Africa’s Trade with Russia in 2013-2015 (Unit: 1,000 US Dollars)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa’s export to Russia</td>
<td>403,140</td>
<td>364,034</td>
<td>252,574</td>
</tr>
<tr>
<td>South Africa’s import to Russia</td>
<td>377,954</td>
<td>456,290</td>
<td>375,756</td>
</tr>
<tr>
<td>Trade balance between South Africa and Russia</td>
<td>25,186</td>
<td>-92,256</td>
<td>-123,182</td>
</tr>
</tbody>
</table>

(Source: http://www.trademap.org/Bilateral_TS.aspx)

**Table 6: South Africa’s Trade with Brazil in 2013-2015 (Unit: 1,000 US Dollars)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa’s export to Brazil</td>
<td>656,978</td>
<td>631,833</td>
<td>494,880</td>
</tr>
<tr>
<td>South Africa’s import to Brazil</td>
<td>1,607,018</td>
<td>1,369,152</td>
<td>1,280,864</td>
</tr>
<tr>
<td>Trade balance between South Africa and Brazil</td>
<td>-950,040</td>
<td>-737,319</td>
<td>-785,984</td>
</tr>
</tbody>
</table>

(Source: http://www.trademap.org/Bilateral_TS.aspx)

**Table 7: South Africa’s Trade with India in 2013-2015 (Unit: 1,000 US Dollars)**
South Africa’s export to India
3,008,549  
3,769,815  
3,146,769

South Africa’s import to India
5,377,496  
4,551,486  
3,940,461

Trade balance between South Africa and India
-2,368,947  
-781,671  
-793,692

(Source: http://www.trademap.org/Bilateral_TS.aspx)

Table 8: South Africa’s Trade with China in 2013-2015 (Unit: 1,000 US Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa’s export to China</td>
<td>12,046,038</td>
<td>8,680,022</td>
<td>5,802,848</td>
</tr>
<tr>
<td>South Africa’s import to China</td>
<td>16,005,957</td>
<td>15,449,362</td>
<td>14,603,198</td>
</tr>
<tr>
<td>Trade balance between South Africa and China</td>
<td>-3,959,919</td>
<td>-6,769,340</td>
<td>-8,800,350</td>
</tr>
</tbody>
</table>

(Source: http://www.trademap.org/Bilateral_TS.aspx)

(II) The economic and trade cooperation between South Africa and the BRIC highlights the structural difficulties of South African’s economy

China, Russia, India and Brazil as a whole are more strategic to the South African economy. In terms of economy and trade, South Africa’s reliance on the BRIC is greater than the BRIC’s reliance on South Africa. During 2013-2015, South Africa’s total exports to the four BRIC countries accounted for 16.94%, 14.84%, and 13.93% respectively of South Africa’s total exports to the world the proportion; the four BRIC countries’ imports from South Africa accounted for 0.54%, 0.46%, 0.4% respectively of their total imports from the world, see Table 9.

Table 9: South Africa’s export to the BRIC countries in 2013-2015 (Unit: 1,000 US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa’s total exports to the world</td>
<td>95,111,531</td>
<td>90,612,104</td>
<td>69,631,083</td>
</tr>
</tbody>
</table>
In terms of imports, South Africa’s total imports from the four BRIC countries accounted for 22.59%, 21.85% and 25.38% respectively of South Africa’s total imports from the world in 2013-2015; the four BRIC countries’ exports to South Africa accounted for 0.7%, 0.65%, 0.66% respectively of their total exports to the world, see Table 10.

Table 10: South Africa’s Imports from the BRIC countries, 2013-2015 (Unit: 1,000 US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa’s total imports to the world</td>
<td>103,441,284</td>
<td>99,892,738</td>
<td>79,590,945</td>
</tr>
<tr>
<td>South Africa’s total imports to the four BRIC countries</td>
<td>23,368,425</td>
<td>21,826,290</td>
<td>20,200,279</td>
</tr>
<tr>
<td>The four BRIC countries’ total exports from the world</td>
<td>3,315,062,642</td>
<td>3,382,819,587</td>
<td>3,081,271,464</td>
</tr>
</tbody>
</table>

In recent years, the trade balance between South Africa and the BRIC countries shows a trend similar to South Africa’s trade balance with the rest of the world. First, the South African trade deficit with the BRIC member countries increases year by year. Second, South Africa’s trade deficit with the BRIC in constitutes a major component of South Africa’s global trade deficit, further highlighting the structural difficulties of South African economy, see table 11.

Table 11: Trade balance between South Africa and the BRIC countries in 2013-2015

(Unit: 1,000 US dollars)
Despite the South Africa’s trade deficit with the BRIC countries increasing year by year, the South African government continues to attach great importance to the BRIC cooperation mechanism under this adverse situation. The BRIC countries as a whole enjoy a major market share of South Africa’s import and export trade, having a significant impact on South Africa's economic development prospects. South Africa's economic and trade development prospects and the development of the BRIC become more and more associated.

III. South Africa's view, evaluation and outlook on the BRIC cooperation mechanism

The BRIC mechanism is still an important area and position for South Africa’s multilateral diplomacy. South Africa has the following views and expectations.

(I) highly praise the new development bank

South Africa highly recognizes the achievements of the new development bank over the past year and has submitted a list of the first financing projects, including the Congo (Democratic Republic of Congo) - UK-Canada hydroelectric dam project, the water project linking South Africa and Lesotho Heights, The Eskom transmission project and the Mokolo water pipe phage II project in Gauteng. South Africa fully recognizes and satisfies its equal voting rights in the new development bank management system, taking it as one of the major innovations by which the new development bank distinguishes from traditional multilateral development finance institutions. South
Africa believes that the new development bank, the contingency reserve arrangement (CRA) and currency swap agreements have further institutionalized the BRIC group to reinforce the linkages between the BRIC members. The BRIC thus have their own tangible grips to help transforming the discussion into action, solidifying and deepening cooperation among the BRIC countries.  

(II) Make efforts to promote the new Development Bank African regional center to launch as soon as possible

After the establishment of the new development bank, one of South Africa's focuses is to promote its first regional center to land in Johannesburg as soon as possible. Leslie Maasdorp, vice president and chief financial officer of the new development bank, traveled to South Africa and China several times to accelerate the establishment of the African Regional Center. The Regional Center will serve as a facade of the new development bank on the African continent, playing a key role in the new development bank's operations in Africa and providing experience and examples for the future establishment of other regional centers.

(II) Advocate the “Africa agenda” through the BRIC mechanism

Africa is the cornerstone of South African diplomacy. Africa’s infrastructure needs about US $100 billion a year. Africa’s economic growth and development are severely constrained by the lack of investment in energy, transport and water infrastructure. South Africa believes that the new development bank and the BRIC mechanism must respond to the demands of Africa, which must actively participate in new development banking matters and send Africa’s own voices from the outset. Africa must actively participate in the expansion of the new development bank. The new development bank means a great opportunity to African countries and the African Agenda, and Africa must seize this opportunity and make every effort to ensure that the principle of parity


149 Xiaoyi Wang: "BRIC Africa Regional Center landed in South Africa within three months," "First Financial Daily" (Shanghai), August 4, 2016.
is not diluted or deliquated by the expansion of bank and diversification of interests\textsuperscript{150}.

(III) Reform the international order by through the BRIC Mechanism

South Africa believes that the BRIC was established in 2009 to focus on addressing the global financial crisis and improving global economic governance. However, with the development of these years, the BRIC focused issues have been extended from the economic to the political and security areas. The main issues discussed by the international community are also largely reflected in previous BRIC declarations. The creation of the new development bank is not only a product of the BRIC’s concern for the global economic situation, but also a reflection in considering political and geopolitical interests behind. The BRIC mechanism and its new development bank have global geopolitical characteristics, reflecting the BRIC’s political aspirations\textsuperscript{151}. The BRIC countries, both collectively and individually, are eager to become global leaders or setters for the global agenda. They may be a political group to replace the United States or the G7. Their goal is to promote the establishment of a multi-polar world when Western capacity to dominate the world is weakened. Although the BRIC countries have experienced economic difficulties in recent years (with the exception of India), the sum of their economies, territories and population size means that the BRIC remain a force and voice in the global forum that can’t be ignored. Despite the uneven political and economic development among the BRIC members, the establishment of the new development bank continues to demonstrate the determination of the BRIC countries to exert greater influence in global affairs. \textsuperscript{152}


\textsuperscript{152} Talitha Bertelsmann-Scott,Cyril Prinsloo,Elizabeth Sidiropoulos,Lesley Wentworth& Christopher Wood, The New Development Bank:Moving the BRIC from an Acronym to an Institution.
IV. Recommendations and countermeasures from the political and academic circles in South Africa on institution of the BRIC

(I) ensure real “sustainability” of financing projects of the new development banks

South African academics, think tanks and nongovernmental organizations argue that although the new development bank agree on sustainable development, the BRIC has not yet expressed common ground on sustainable development issues and has not defined their commitment to sustainable development. The BRIC Bank’s concept of sustainable development should be an inclusive process, which shall take fully into account the needs of the African continent as well as the views and concerns of African populations in the development of financial policies and development priorities. Such an inclusive path would immediately distinguish the new development bank from traditional multilateral development finance institutions. The new development bank should, during their initial operations, focus on shaping their reputation and fighting negative impressions, such as the fact that the new development bank is the BRIC’s political tool, making irresponsible loans, and financially unsustainable investments.

(II) South Africa plays a leadership role in the BRIC’s “Africa Agenda”

The South African Government made it clear that the African Regional Center is expected to play a key role in the new development bank’s African operations. In Africa, lack of bank guarantee projects has been an obstacle to infrastructure financing. South African scholars argue that the early interaction of Africa with the new development bank should ensure that the projects focus on not only bankability but also indicators such as poverty reduction and women’s empowerment. The effectiveness of the new development bank in project financing preparation will require the active participation and involvement of African Governments, other development finance institutions and

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154 Talitha Bertelsmann-Scott, Cyril Prinsloo, Elizabeth Sidiropoulos, Lesley Wentworth & Christopher Wood, The New Development Bank: Moving the BRIC from an Acronym to an Institution.
the private sector. An official platform for interaction between these stakeholders and the leadership of the African Regional Center should be established as early as possible. As the only African member of the new development bank, South Africa should play a leading role in these areas. In some areas, the Southern African Development Bank (DBSA) has expertise. The new development bank can take advantage of the unique experience of South Africa's DBSA to do business. South Africa’s useful experience in such areas as sustainable development should be fully utilized.

(III) The “innovation” of the new development bank has yet to be tested

The establishment of the new development bank has brought with it a number of questions about how the bank can adapt to or integrate into the field of African development finance. For example, to what extent will it complement and help Africa to mobilize more funds to meet Africa’s huge infrastructure needs? Will it introduce another development discourse and model in Africa to differentiate it from the Western-dominated development finance institutions? The new development bank is eye-catching, and everyone is watching how they can differentiate itself in the development of financial markets. Kamath, the first governor, said that the new development bank would be differentiated from traditional multilateral development finance institutions through different operational modalities, such as improved operational efficiency and lending rates, raising funds from emerging markets and developing countries’ domestic savings, borrowing from member currencies to hedge against exchange rate risks, and forging equal partnership with borrowers. These declarations can be implemented? How will the new development bank be different in identifying and financing projects? These questions can only be answered if the new development bank is fully validated.

155 Nomfundo Xenia Ngwenya and Cyril Prinsloo, Africa’s $100 billion infrastructure gap: why Africa must seize the moment on the New Development Bank.
156 Talitha Bertelsmann-Scott, Cyril Prinsloo, Elizabeth Sidiropoulos, Lesley Wentworth & Christopher Wood, The New Development Bank: Moving the BRIC from an Acronym to an Institution.
157 Talitha Bertelsmann-Scott, Canelle Friis & Cyril Prinsloo, Making Sustainable Development the Key Focus of the BRIC New Development Bank.
V. Conclusion

The “ANC” led the South African government has attached great importance to and actively participate in the BRIC mechanism, and viewed the BRIC mechanism as an important grip for South African diplomacy to enhance South Africa’s international status, improve South Africa’s economic difficulties and change the international order. South Africa’s domestic public opinion has been more complex, its overall attitude to the BRIC mechanism is "cautiously optimistic", but the voice questioning of the BRIC (such as the South African economy has not benefited from the BRIC, and Russia and other BRIC countries do not clearly support South Africa to become a permanent member of the UN Security Council) has been there.

In the long run, South Africa’s BRIC diplomatic strategy will be subject to the development of South Africa’s domestic political prospects and trends. As long as the "ANC" maintains the ruling position, its current BRIC foreign policy is expected to continue or further deepen. However, if the “Democratic Alliance” wins in the 2019 presidential election, a major shift in South African foreign policy is also possible.

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158 Talitha Bertelsmann-Scott, Cyril Prinsloo, Elizabeth Sidiropoulos, Lesley Wentworth & Christopher Wood, The New Development Bank: Moving the BRIC from an Acronym to an Institution.