



# *A Legal and Economic Study of Cooperation among the BRICS Countries under BRI*

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**Abstract:** With the advancement of economic globalization and regional economic integration, the BRICS countries – Brazil, Russia, India, China and South Africa – by means of the BRICS countries cooperation mechanism, demonstrate a new platform of cooperation, dialogue and the shared aspirations of emerging market countries. The BRICS have created a new model of international economic cooperation which has made significant contributions to the global economic recovery. This article discusses the reality of the BRICS countries' economic cooperation, analyzes their obstacles and deficiencies and puts forward relevant countermeasures and suggestions to further improve their international economic cooperation in perspective of law and economy.

**Keywords:** The BRICS countries; emerging market countries; international economic cooperation

Since 2013, when Chinese President Xi Jinping put forward the concepts of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, China's regional economic cooperation has made great progress under the new conceptual framework. Since the Belt and Road Initiative (BRI) was launched, about 100 countries and international organizations have inked deals with China to support the BRI.<sup>①</sup> By the end of 2017, Chinese enterprises had set up 75 overseas economic and trade cooperation zones in relevant countries, contributed more than USD1.6 billion taxes to the host countries and created 220,000 local jobs.<sup>②</sup> The BRI is a pragmatic platform for international cooperation aimed at comprehensive economic

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① China and the World Trade Organization, 2018

② Li, 2012

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\* Foundation item: This paper is sponsored by National Social Science Fund of China (2016BFX109); Central Fund of High Education, The Legal Development of International Construction under Silk Road, 3102017JC19003.

and social development. The BRICS countries are the important emerging marketing economies along the route of the Belt and Road, and they have great influence in their region in perspective of politics and economy. Cooperation among the BRICS countries will benefit the enforcement of the BRI, which will bring about more horizontal, comprehensive and multiple effects on international economy.

The BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa. The grouping was originally known as “BRICs” before the joining of South Africa in 2010. The BRICS are all developing or newly industrialized countries, and all five countries are members of the G 20. Since 2010,

the BRICS countries have met annually at formal summits. Multilateral relations among the BRICS countries have mainly been conducted based on non-interference, equality, and mutual benefit. The BRICS have received both praise and criticism from numerous commentators. Their cooperation has been attracting the attention of the world.

### 1. The basis of economic cooperation among the BRICS Countries

To research economic cooperation mechanism of the BRICS, we must analyze the reasons why these countries chose to cooperate with each other. The economic cooperation between the BRICS has its profound basis, including their economic



complementarities and common development requirements.

### **1.1 Economic complementarities of the BRICS**

The resources and industrial structures of the BRICS are diverse and complementary to each other, so that their cooperation has solid elements and an industrial base. The agriculture, mineral and forest resources are abundant in Brazil, and its petroleum and aviation industry are more developed; Russia has abundant oil and gas resources, and has advantages in aerospace, national defense and other advanced technologies; India has a younger population structure, developed information technology and the bio-pharmaceutical industry, as well as its service outsourcing industry enjoys a good reputation around the world; China has strong manufacturing power, broad market space, abundant financial resources, and infrastructure construction experience; South Africa is the most developed country in Africa and its mineral resources, especially gold and diamond reserves are at the forefront in the world. Establishing closer economic partnerships and integrating their own advantages in market, industry, technology, capital, resources and talent, will ease the BRICS's excessive dependence on the developed economies, release a broad market space, and inspire huge growth potentialities. The comparative advantages of industry among the BRICS have has a strong economic complementarities for each other, and this kind of economic complementarities provides the foundation and conditions for economic cooperation, therefore it is beneficial to perfecting market mechanisms, enhancing overall competitiveness, and promoting economic development and regional cooperation. The establishment of cooperation mechanism among the BRICS also conforms to the requirements of the

change of global economic governance transformation, and it is the inevitable outcome of the rise of emerging market countries, as well as the objective need of economic development and natural selection of the BRICS countries<sup>①</sup>

### **1.2 Cooperation motivation of the BRICS countries**

Common requests for development promote international cooperation among the BRICS. The BRICS belong to the emerging market countries. They have no ability to establish the international rules, and they have limited power compared to other developed countries. The BRICS have common goals and requirements to optimize the industrial structure, to improve the external development environment and to improve their international status. The five members are fully aware of the need for strengthened cooperation in international affairs.

In the issue of the world economic system, the BRICS countries agree a fair global economic system should be established, which considers each country's national interests. In the financial field, the BRICS called for all countries and relevant international organizations to actively promote international financial institution reforms in order to reflect changes in the world economy and increase the voice and representation of emerging economies as well as developing countries. In the issues of sustainable development in energy resources and the environment, the BRICS countries take an active part in cooperation to achieve a balance of interests between the energy producers, transit countries and consuming countries thereby improving their energy efficiency and promoting the sustainable development of energy resources. In the issue of treatment to the least developed countries, the BRICS countries call for strengthening the aid and support for the poor

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① Li, 2015, p. 100.

countries in the world, and for the fulfillment of aid commitments which are made by other developed countries.<sup>①</sup>

The BRICS countries represent the new forces of the world economy, and their enhanced cooperation is very positive and beneficial to promoting a harmonious world with a lasting peace and common prosperity. This practice has shown that the success of cooperation mechanism among the BRICS has greatly stimulated the growth of the developing countries and has created a new international political and economic order.

## 2. Economic cooperation mechanism among the BRICS countries

The BRICS countries always pay attention to the progressive, pragmatic, open and transparent manner to promote their dialogue and cooperation. They have established a cooperation mechanism through summit meetings of leaders, dialogs among senior officials, think-tanks, as well as all kinds of cooperation between sister cities and local governments. The cooperation mechanism is multi-level and wide-ranging. Economic cooperation of the BRICS countries is mainly concentrated in the financial sector, and it is a gradual process of cooperation from the shallow to the deep. With the improvement of cooperation targets, the level of international financial cooperation of the five countries gradually rises and the scope expands. From bilateral cooperation at the grass-roots level to multilateral cooperation at national level,<sup>②</sup> international financial cooperation of the BRICS Countries has improved substantially.

### 2.1 Expand the scope of local currency settlements and business loans

At the Sanya Summit in April, 2011,

China Development Bank, Banco Nacional de Desenvolvimento Economico e Social (BNDES) of Brazil, Development Bank of Southern Africa, Vnsheconombank of Russia and Eximbank of India jointly signed the Framework of Financial Cooperation Under BRICS Interbank Cooperation Mechanism in order to strengthen cooperation between financial institutions and enhance economic and commercial relationship among countries members, strengthen cooperation in finance, securities and other financial mechanisms to support business transactions between BRICS counties, According to the framework agreement, the five Banks would study possibilities to make local currency financing between the countries. These institutions were willing to help each other enter into the local financial and capital markets and they wanted to expand the scale of the local currency settlement and loan businesses between member states by using local currency for financing. This meant that the financial cooperation mechanism of the BRICS countries had made a big step forward, and would make trade and investments among the BRICS countries more convenient. Meanwhile it could promote investments and financing in resources, high and new technologies, environmental protections and other important areas.

Along with advancing international financial cooperation, some of the specific projects had made substantial progress. In terms of local currency settlements, Chinese Yuan and the Russian Ruble began listing their transactions in each other's foreign exchange market in December 2010, which had expanded the scale of cross-border currency settlements as a result. In 2011, the two countries signed a new bilateral local currency settlement agreement, which extended the local currency settlement range for the border trade to the general

① Wang.,2012

② Zhang & Du, 2014

trade. In March 2012, the state the BRICS countries also signed the Master Agreement on Extending Credit Facility in Local Currency under BRICS Interbank Cooperation Mechanism and the Multilateral Letter of Credit Confirmation Facility Agreement between our EXIM/Development Banks., to steadily push forward local currency settlements and lending among the BRICS countries.

### **2.2 International cooperation in the securities markets among the BRICS countries**

In October 2011, the BM&FBOVESPA from Brazil, MICEX from Russia (currently merging with RTS Exchange), Hong Kong Exchanges and Clearing Limited (HKEx) as the initial China representative and the Johannesburg Stock Exchange (JSE) from South Africa had announced a joint initiative to expose investors to these dynamic economies. The establishment of this alliance, through the provision of trading convenience and reduced transaction costs, helped to attract global investors to the BRICS capital markets, and also created more diversified investment channels for BRICS countries investors. On March 14, 2012, the BRICS countries exchange alliance announced that they would cross-list benchmark equity index derivatives on the boards of each of the other alliance members. This provides diversified investment and financing channels for the BRICS countries, increases the flow of funds among the BRICS countries capital markets, and improves the efficiency of capital allocation.

### **2.3 The New Development Bank and Contingent Reserve Arrangement**

In March 2012, at the BRICS finance ministers' meeting, the BRICS countries reached a consensus to establish a development bank. Meanwhile consultations discussed included the establishment of the BRICS emergency reserve pool. In 2013, the BRICS countries signed the BRICS countries multilateral cooperation for sustainable development and co-financing agreement, as well as the multilateral

infrastructure co-financing agreement between the BRICS countries and Africa during the Summit. During the BRICS sixth summit in July 2014, the BRICS countries announced signing an agreement on the establishment of the New Development Bank (NDB) According to the declaration of the sixth BRICS Summit in Fortaleza, The initial authorized capital of the New Development Bank (NDB) should be one hundred billion dollars (US\$100 billion), and the initial subscribed capital of the Bank shall be fifty billion dollars (US\$50 billion), of which each BRICS member subscribes \$10 billion. Paid-up capital of individual countries is \$2 billion, which means the paid-up ratio is 20 percent. The first chairman of the Board of Governors would come from Russia, the first chairman of the Board of Directors would come from Brazil, and the first president would come from India. The New Development Bank (NDB) would be headquartered in Shanghai, China, and the first regional office should be in Johannesburg, South Africa. Establishment of the New Development Bank (NDB) marked a new period of expanded cooperation among the BRICS.

In September 2013, at an informal meeting ahead of the formal opening of the G20 Summit in St Petersburg, the BRICS leaders had achieved a consensus to establish the Contingent Reserve Arrangement (CRA). As agreed in Durban, the CRA will have an initial size of US\$100 billion. Country's individual commitments to the CRA will be as follows: China — US\$ 41 billion; Brazil, India, and Russia — US\$ 18 billion each; and South Africa — US\$ 5 billion. The BRICS countries at the 2014 Fortaleza Summit in officially signed a Treaty for the Establishment of a BRICS Contingent Reserve Arrangement (CRA) with the initial total committed resources of \$100 billion. Different from the New Development Bank (NDB) supporting long-term investment funds, the Contingent Reserve Arrangement (CRA) was mainly used to deal with



short-term international liquidity pressure, guard against financial shocks, alleviate the pressure of the short-term liquidity, build a financial safety net, and complement the existing international mechanism.<sup>①</sup>

Of course, to carry out the Contingent Reserve Arrangement (CRA) needs the BRICS countries try their best to work together.

#### **2.4 Expand cooperation in the International Monetary Fund**

The BRICS countries have not forming way of cooperation at the International Monetary Fund, the World Bank and other international economic organizations. With the growth of economy and increase of share in world economic trade, they require a greater voice in the fields of international finance and monetary. Mainly through the G20 Summit, the BRICS countries negotiated about their positions in the reform of mechanism of the International Monetary Fund and other international system. At present, the BRICS countries actively sought more influence in the International Monetary Fund and other international organizations, and had the common demand for more voting rights at the International Monetary Fund. In September 2009, the G20 Summit in Pittsburgh set the target for the IMF's share reform, and on December 15, 2010 the council adopted the resolution about the reform of share and the board, that the total capital scale of share increased by 100 percent, and more than 6% of the share would be transferred to the dynamic emerging markets and developing countries.<sup>②</sup> According to relevant data, the share of the BRICS countries in the International Monetary Fund has been improved. In addition, in the European sovereign debt crisis, the BRICS countries fully communicated with each other, coordinated their position, and showed their passive influence to the world.

### **3. The obstacles and problems in economic cooperation among the BRICS countries**

The BRICS countries strengthen their respective cooperation constantly and have made very good achievements, but there are many obstacles and problems, which would hinder the development and perfection of the economic cooperation mechanism.

#### **3.1 The BRICS countries' own development problems hinder the deepening of their cooperation**

After the outbreak of the global economic crisis in 2008, the world economy had been encumbered by the debt crisis in Europe and America.

With the development and deep influence of international financial crisis, speed of the BRICS countries economic growth is getting slow and the BRICS countries are facing more serious international challenges and domestic problems. If they cannot deal with these challenges and problems properly, it is likely to cause various kinds of crises. It will bring about bad effects on economic, political and social stability of the BRICS countries, which hinder the enforcement of cooperation mechanism.

From the international level, trade protectionism, large-scale of cross-border capital flow, volatility in price of energy resources and bulk commodity, the rapid adjustment of the economic structure of countries influence the world's economy, and the subtle changes in the international economic and trade relations, increase the complexity of the operation of international economy. How to deal with the pros and cons of these problems will directly affect the economic development and social stability of the BRICS countries. From the domestic level, the

① Huang, 2014, p. 55.

② Sang, Liu & Zheng, 2012, p. 33.

BRICS countries face very serious problems, which consist of deepen reform of the domestic political system, economic model transformation, improving social livelihood of the people, etc. If the BRICS countries do not timely and properly handle these domestic problems, it is not only difficult to ensure their economic growth, but also will do great harm to the cooperation mechanism set up by the BRICS countries. The cooperation depends on the social stability and economic sustainable development in essence. Only in this way, are the BRICS countries likely to seek opportunity to enhance their national comprehensive strength and further change the existing international pattern.

### **3.2 The intensive competition among the BRICS countries**

BRICS countries are emerging market countries and industrial structures, trade structures and division of the world production chain of links are very similar. This leads to competition against each other and the frequent trade frictions. For example, both China and India, are big countries with a large population facing the contradiction between economic development and resource shortage. With the growth of trade between China and India, the frictions begin to increase. India's anti-dumping measures on Chinese goods are increasingly frequent. For another example, on the issue of pricing power in iron ore, oil and other bulk commodities, the BRICS countries launched a fierce combat. In particular, China and Brazil, China and Russia have very protracted negotiations which were carried out on iron ore prices, oil and gas trade. The major trading partners of the BRICS countries are still Europe, America and Japan. The BRICS countries all pay attention to exporting goods to the developed countries and providing services for these countries, therefore, the scrambles for developed countries markets among the BRICS countries will be inevitable. In addition, Influenced

by the international financial crisis, Brazil and India suffered greatly from domestic currency depreciates substantially. In order to maintain their own national interests and struggle with China for the international market, Brazil and India used to urge the appreciation of RMB. These are not conducive to the BRICS countries cooperation.

### **3.3 conflicts of interest among the BRICS countries**

As emerging market chase and control in a variety of natural resources especially the energy resources, competition for international market share it, efforts and expectations for their own economic and social development, and the striving and maintain for the international political and economic power, etc., make it very hard to avoid conflicts of interest among the BRICS countries. Fierce competition are always there in medicine, primary products, communications, energy resources, and other area of the export trade between China and India are ceaseless. In the area of energy trade, China is the main import country and Russia is the main export country. Quarrels on the price of oil and natural gas between China and Russia also occur from time to time. Russia is rich in oil and gas resources, while Brazil, India and South Africa there are abundance of iron ore resources and other resources, which put huge pressure on China which demands large quantity of resources. Due to the large deficits in long-term trade with China, India and Russia are discontent, and at the same time, India does not recognize the requirements about slashing agricultural tariffs which are brought forward by Brazil. Therefore, there are lots of conflicts among the BRICS countries

### **3.4 The intervention of western powers**

The western powers occupy the dominant position in the international old pattern, and they actively take measures to disintegrate the international cooperation

of emerging market countries. Western developed countries intervene in the cooperation among the BRICS countries by taking advantage of the G8, the International Monetary Fund, the World Bank and other traditional international governance mechanisms against the newborn BRICS cooperation mechanism. The current voting rules of international organizations tend to the interests of developed countries, and developed countries grasp the relative majority of voting rights in international organizations. They always put heavy pressure on the World Bank group and other international financial institutions in order to safeguard their influence and control. In addition, the developed countries actively use territorial disputes and trade friction to damage to the unity and stability within the BRICS cooperation mechanism.

#### 4. The proposals of deepening the economic cooperation among the BRICS countries

Based on analyzing the achievements, obstacles and problems, we propose some suggestion on further cooperation among the BRICS countries as the following:

##### 4.1 Adhere to principles of openness, inclusiveness, cooperation and win-win

Firstly, the BRICS countries should adhere to the principle of openness, exploit their respective comparative advantages to the full, and strengthen the mutual economic cooperation, so that they are able to cultivate a global big market, perfect the global value chain, and make themselves become the builders of the world open economy. Secondly, the BRICS countries should adhere to the principle of inclusiveness, and promote the coexistence of different social systems, mutual learning from different civilizations and different kinds of culture, and mutual benefit from different countries development models. Thirdly, the BRICS countries

should adhere to the principle of cooperation, continue to strengthen solidarity, take good care of each other's concerns, and deepen pragmatic cooperation constantly. Fourthly, the BRICS countries should adhere to the principle of win-win, and pay close attention to the reasonable interests of other countries when one is in the pursuit of its own national interests, so that mutual benefits can be achieved.

##### 4.2 Strengthen the construction of the mechanism

The BRICS cooperation mechanism is currently experiencing a significant transformation, from a dialogue forum which concentrates on economic management, to an all-round full-fledged coordination mechanism focusing on the political and economic governance, and practice of the mechanism.

The BRICS countries should improve and promote their cooperation mechanism at all levels, including leaders' summit, further promoting the construction of the BRICS New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). Secondly, they should establish bilateral and multilateral dispute arbitration and mediation mechanism as soon as possible. Thirdly, the BRICS countries should strengthen the communication and cooperation with the United Nations and the UN subordinate organizations. Fourthly, the BRICS countries should establish close contact with emerging market countries and other developing countries in a variety of ways, for example, partnership plan. The BRICS countries should increase aid to poor countries and broaden the scope of aid as much as possible within the limits of their own strength to promote multi-level cooperation and common development.

##### 4.3 Expand fields of cooperation

The BRICS countries should strive to promote the pragmatic cooperation in some areas, such as finance, agriculture, energy, infrastructure construction and so on, and they should constantly explore new areas



of cooperation. Firstly, the BRICS countries should deepen their financial cooperation to provide support for steady economy and sustainable development. Secondly, the BRICS countries should work together to promote the international monetary system reform, increase the right of voice and representativeness of emerging market countries and other developing countries in international financial institutions, and expand the use of the Special Drawing Rights. In bilateral trade, they would use local currencies more frequently, and strengthen their cooperation in areas of financial regulation, financial market development and mutual investment. Thirdly, they should strengthen agricultural cooperation. The BRICS countries should establish information communication mechanism about the BRICS population growth, agricultural production, and consumption. They can share their rich experience in the aspects of food production, storage, and processing, and strengthen their cooperation in the agricultural science and technology. Fourthly, the BRICS countries should expand the scope of energy cooperation. The BRICS countries have very strong complementary to each other in the energy field, which has a broad space for cooperation. In addition to continue to expand cooperation in oil, gas, etc., they should cooperate in the fields of deep sea oil exploitation, the construction of hydropower station, nuclear power, wind power, solar energy, biologic energy, etc. Fifthly, the BRICS countries should strengthen scientific and technological cooperation. The BRICS each has its own advantages in science and technology, such as space technology of Russia, information technology of India and manufacturing technology of China, Brazil's agriculture technology, South Africa's mining technology. They should try to complement each other through the scientific and technological cooperation, strengthen cooperation

study, promote upgrading of industrial technologies, and provide technical support and sustained for development of the BRICS countries.

#### **4.4 Promoting cultural exchanges**

The BRICS countries all have a long history and abundant cultural heritages, and they should exploit their respective advantages to strengthen cultural exchanges with each other. Firstly, the BRICS countries should promote education cooperation and cultural exchanges. For example, they can regularly organize academic seminars to exchange respective and successful experience in the development of education. They shall also negotiate about the copyright trade, publishing cooperation and publications import and export business with each other. Secondly, the BRICS countries should strengthen the media cooperation. They should consult with each other on the media cooperation, design elaborate media projects to timely reflect the new changes and new trends of the BRICS countries in the political, economic, social, cultural and other aspects which can provide a favorable public opinion environment for developing friendly relations. Thirdly, the BRICS countries should promote the respective cooperation of tourism. They can also jointly develop new tourism products and lines, simplify the visa procedures, and increase the direct flights among these countries.<sup>①</sup>

## **5. Conclusion**

The BRICS countries begin their economic cooperation under the basis of their economic complementarities and common development requests. They have achieved a lot of gratifying success, but there are also many obstacles and problems. The BRICS countries should adhere to principles of openness, inclusiveness, cooperation and win-win,

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① Lu, 2012, p. 96

strengthen the construction of the mechanism, expand the scope of cooperation, and promoting cultural exchanges, which will promote the development both of the five countries and the world economy. Economic cooperation among the BRICS countries

has set up a good example for the world's emerging market countries and other developing countries, and it will advance the reform of the international political and economic order.

(Editor: Chen Jie)

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