Valdai Discussion Club Report

Anti-Crisis Impulses of BRICS-Plus: From BRICS Countries to Regional Partners

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I. Introduction

The COVID-19 crisis resulted in a dramatic drop in manufacturing, global demand and incomes, and brought much of global economic activity to a halt. The "Great Lockdown" hurt businesses and engendered a rise in unemployment all over the world.

The closing of borders was particularly detrimental to the service sectors (primarily trade, transportation and tourism), which are a major source of growth and employment for both advanced and emerging economies.

The current crisis has changed the global environment dramatically: accelerated digitalization of economic activity, trade and consumption, and revealed the vulnerability of developing and developed countries to unexpected shocks.

The new environment and global conditions create new challenges to the developing world, exacerbate the fragility of national finances, and jeopardize the achievement of sustainable development goals.

At the same time, it is the cooperation among developing countries, which can potentially become the most effective driver of global transformation in the post-crisis era. Cooperation within the Global South can bolster the revision of the global agenda at the level of existing global institutions, as well as regional integration arrangements.

Cooperation for an effective response to new challenges should proceed at all levels: regional (at the level of integration blocs and regional alliances), trans-regional and global. And in this regard, new forms of trans-regionalisation, such as the BRICS-Plus and the idea of "integration of integrations" within the developing world, become especially promising. The new multilateral platform, which brings together five BRICS-led integration blocs (Eurasian Economic Union [EAEU], MERCOSUR, South African Customs Union [SACU]/Southern African Development Community [SADC], South Asian Association for Regional Cooperation [SAARC], and ASEAN-China FTA) will potentially contribute to enhancing the cooperation among developing countries as well as consolidating economic integration efforts and financial resources for sustainable growth and better resilience to unexpected shocks.

The BRICS participants, as well as the members of the BRICS-led regional integration blocs are increasingly cognizant of the need to establish and develop effective stabilization and anti-crisis mechanisms to respond to external shocks and structural challenges at regional and transregional levels. Moreover, they are increasingly interested in searching for multilateral instruments and schemes for hedging risks, network-based inclusive forms of cooperation to reduce the potential economic and social damage of large-scale, unpredictable crises such as the current pandemic.

In this report we evaluate the potential of the BRICS-Plus arrangement as a potential platform for anti-crisis measures that benefit not only the BRICS core, but also the wider circle of their regional partners. We proceed to look at the global economic backdrop in the next section, which is followed by the analysis of possible modalities for BRICS-Plus platform that brings together regional development banks, regional financing arrangements as well as regional integration blocs. Our conclusion is that a BRICS-Plus platform that brings together regional integration arrangements harbours significant potential for strengthening the anti-crisis response of the BRICS economies, including in the context of the current COVID-19 crisis.

II. Global Context

The effects of the current crisis on the global economy are unprecedented. According to the WTO estimates, all regions will suffer double-digit declines in exports and imports in 2020 (trade volume can plummet by 12.9% or 31.9% this year in optimistic and pessimistic scenarios, respectively)[1].

According to the IMF estimates, the cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars. The global economy will shrink by 3% this year. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. And only a few economies (such as China or India) are expected to grow in 2020[2].

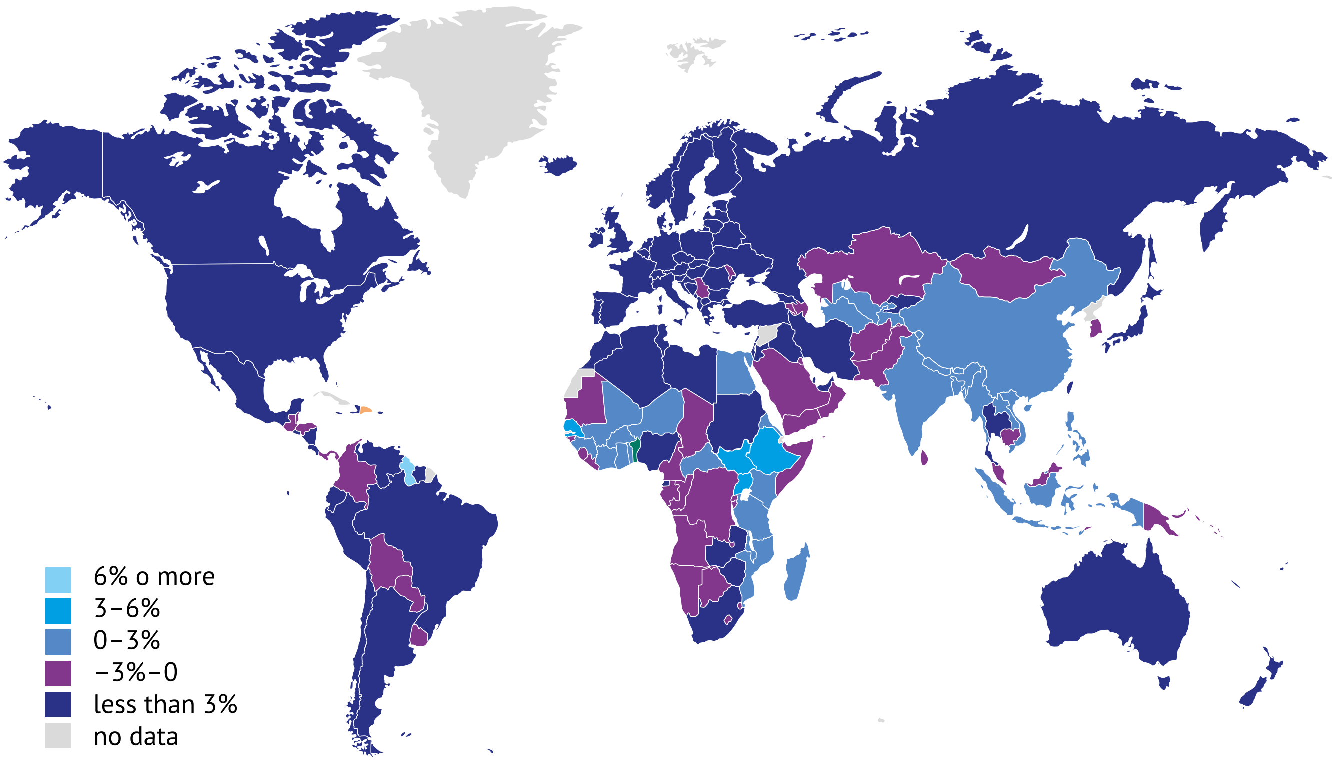
The crisis aggravated the traditional liquidity problems in some of developing countries which had traditionally suffered from chronic fiscal deficits, balance of payment problems and insufficient international reserves.

The crisis forced countries (governments and monetary authorities) to implement massive stimulating packages, which heightened pressure on state budgets and financial systems as well. Anti-crisis measures, associated with increased health spending, social programs to support unemployed and vulnerable groups (including social security and unemployment insurance benefits), grants and subsidized loans for hard-hit sectors, as well as credit

[1] *URL: https://www.wto.org/english/news_e/pres20_e/pr855_e.htm*

[2] *URL: https://www.cnbc.com/2020/04/24/coronavirus-pandemics-impact-on-the-global-economy-in-7-charts.html*

Picture 1. REAL GDP GROWTH FORECAST FOR 2020



Source: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

guarantees and fiscal incentives, aiming to support small and medium enterprises (SMEs) require additional finances, raise pressure on state budgets and exacerbate liquidity problems. General movement towards monetary easing, aiming to revive domestic demand and economic activity together with programs of loan restructuring for borrowers in priority sectors (such as tourism, construction, logistics, insurance etc.), which experience financial difficulties require additional financial injections.

At the same time, it is obvious that differences in the financial sustainability, available domestic funds as well as access to external loans will lead to the accumulation of structural imbalances within the group of developing countries, and widen the gap in the paces and quality of economic growth in the post-crisis era.

Most developing countries were badly prepared for unexpected negative shocks and the current pandemic crisis, as (1) they underestimated the risk when the outbreak emerged, (2) had to face and absorb reduced public expenditure and investment in health care/hospitals and (3) did not have crisis management plans for pandemics (with the exception of Asian countries that have battled the SARS pandemic)[3].

Many developing countries were not able to accumulate reserves, restrain public spending during the pre-crisis periods and save for rainy days. As a result, the liquidity constrains reduce availability of fiscal stimulus, limits long term investments in critical projects, infrastructure and strategic sectors and undermine countries' long-term development outlook.

The solvency problems that a number of developing countries are facing now, spill over into two opposite trends.

On the one hand, the fragility and instability of public finances, combined with relatively high rates of public debt, hamper effective implementation of the announced large-scale fiscal stimulus packages and exacerbate the crisis in the public financial system.

On the other hand, the lack of available financial resources, increased expenditure and reduced revenues don't allow governments to implement large-scale programs to support national economies, needed to restore economic activity, stabilize the labour market and stimulate income growth and domestic demand.

Some developing countries of South Asia, Latin America and Africa face problems of sustainability of public finances (see Table 1). MERCOSUR members suffer from the most acute problems. To mitigate the impact of COVID-19, the Brazilian authorities announced a series of fiscal measures adding up to 11 percent of GDP, public banks are expanding credit lines for businesses and households, with a focus on supporting working capital, and the government will back about 1 percent of GDP in credit lines to SMEs and micro-businesses to cover payroll costs, working capital and investment[4]. But the implementation of the large-scale stimulation program, accompanied with chronical deficit of general government structural balance and relatively high central government debt may plunge the country into a long-term debt crisis. Argentina and Uruguay are now under the same threat, as well as Paraguay, which has lower public debt but unfavourable dynamics of the state budget.

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[3] *URL: http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government-d3e314e1*

[4] *Policy Tracker. IMF Policy Responses to COVID-19. Brazil. URL: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19*

Table 1. SUSTAINABILITY OF PUBLIC FINANCES IN THE BRICS-PLUS COUNTRIES IN THE CONTEXT OF ANTI-CRISIS MEASURES

unsustainable level of state finance

critical level of state finance

Group	Country	Announced Anti-crisis Stimulus Package, % to GDP*	Central Government Debt, % to GDP	General government net lending/borrowing	General government structural balance
ASEAN-China FTA	China	4.10		−6.37	−6.102
	Singapore	19.70	114	3.842	1.004
	Malaysia	4.20	51.22	−3.175	−2.603
	Philippines	3.10		−1.926	−1.631
	Thailand	9.6–14.9	34.02	−0.816	−0.069
	Indonesia	7.00	29.8	−2.229	−1.889
	Brunei		2.59	−10.46	
	Vietnam	4.2–13.2		−3.302	
	Myanmar	0.10	38.16	−3.499	
	Laos		57.19	−5.147	
	Cambodia	0.20		0.448	
SAARC (SAFTA)	India	10.90	43.87	−7.442	−7.359
	Afghanistan		6.89	−0.983	
	Bangladesh	0.20	31.75	−5.247	
	Bhutan	0.70	102.38	0.642	
	Nepal		30.2	−4.561	
	Maldives	2.80	68.03	−5.58	
	Pakistan	3.50	71.69	−8.848	
	Sri Lanka	0.86	83.28	−6.766	
EAEU	Russia	5.00	12.92	1.934	1.037
	Belarus		42.78	0.626	−1.771
	Kazakhstan	9.00	19.6	−0.577	0.338
	Kyrgyzstan	0.4 + 7	56.03	−0.139	−2.109
	Armenia	2.00	51.33	−0.976	
MERCOSUR	Brazil	16.00	82.47	−6.017	−6.272
	Argentina	4.90	86.06	−3.869	−2.274
	Uruguay	0.70	50.54	−2.933	−4.251
	Paraguay	2.5–6.5	17.14	−3.883	−0.762
SADC / SACU	South Africa	2.60	56.71	−6.254	−4.789
	Botswana	1.10	12.28	−6.173	
	Lesotho	4.9–6	44.53	−3.828	
	Namibia	4.25	46.28	−4.689	
SADC	Angola	0.20	89	0.695	0.316
	Comoros		20.97	−2.237	
	DR Congo	0.30		−2.051	
	Eswatini	0.27	35.82	−8.04	
	Madagascar	1.10	45.72	−1.419	
	Malawi	0.85	59.54	−6.363	
	Mauritius	2.52		−6.474	−0.589
	Mozambique	0.30	99.84	−0.153	
	Seychelles	5.00	56.92	0.884	
	Tanzania	0.02		−2.857	
	Zambia	0.97	78.11	−7.598	
	Zimbabwe	7.10	37.06	−2.575	

* Data available by the end of June 2020.

Compiled by the authors based on:

(1) Policy Tracker. IMF Policy Responses to COVID-19. URL: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

(2) IMF Fiscal Monitor, April 2020. URL: https://www.imf.org/external/datamapper/datasets/FM/1

(3) IMF World Economic Outlook Statistic Database, April 2020. URL: https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/download.aspx

South Asia can take the second position on the vulnerability level. The relief package announced by the Indian Prime Minister accounted for about 11% of the country's GDP and includes measures targeting businesses (financial sector measures for micro, small, and medium-sized enterprises and non-bank financial companies; liquidity injection for electricity distribution companies), targeted support for the agricultural sector, expanding support for poor households, especially migrants and farmers, and some expansion of existing programs providing work opportunities to low-wage laborers (a reduction in up-front tax deductions for workers)[5]. Bangladesh, Maldives, Pakistan and Sri Lanka also lack funds for economic recovery.

Such African countries as Madagascar, Mauritius, Mozambique, Zambia or Zimbabwe, as well as Seychelles, which rely substantially on tourism sector are hardly able to implement large-scale projects to overcome the crisis on their own.

Due to traditional liquidity problems and structural imbalances a number of developing countries will be unable to overcome the consequences of the current crisis without external financial injections.

The developing world needs to introduce adequate, consolidated and innovative transregional financial support scheme for revising fiscal equalization policies, lowering disparities across the regions in crisis times and restoring fiscal stability over the medium and long terms.

Moreover, the changing global landscape, accelerating money circulation due to the digitalization of trade and consumption environment also requires increased capital injections. In this regard, the countries tend to create multilateral mechanisms and initiatives at regional and transregional levels, different types of reserve pools and stabilization funds for prompt effective collective response in case of emergency.

However, it becomes obvious that such ad hoc initiatives are very asymmetric, limited by the financial capabilities of individual actors and are hardly able to accumulate financial resources equivalent to losses resulting from the crisis, as well as national requests for implementing stimulus packages. Although the international financial institutions, such as the IMF is providing emergency financial assistance and debt relief to those members, suffering from

[5] *Policy Tracker. IMF Policy Responses to COVID-19. India. URL: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19*

negative economic impact of the COVID-19 pandemic, these financial resources are insufficient to tackle the crisis and revive economic systems.

Moreover, the existing mechanisms do not solve the problem of attenuating or preventing such risks. Even the stable existing regional mechanisms for macroeconomic stabilization in case of emergency are very asymmetric, insufficient and can be used exclusively for local, targeted, short-term responses to macroeconomic shocks.

Nevertheless, liquidity constraints are just short-term immediate manifestations of the structural change in the global paradigm, pushed by the current pandemic.

The contemporary crisis has proved that the large-scale consolidation of financial resources at the level of developing states is needed to build a multilateral system of prevention and collective response to new threats and unexpected negative shocks.

The current COVID-19 crisis marks a transition from the traditional model of globalization to the model of the so-called "digital globalization". As global concern about contemporary and future pandemic threats escalates, the world sees a panacea in two trends: firstly, in the rapid development of medicine and biotechnology and, secondly, in the rapid digitalization of the global environment.

Although, the world has already witnessed this transition over the past two decades, there are two things which will distinguish the post-crisis world from the pre-crisis world.

Firstly, the process of "digital penetration" becomes more sophisticated and even more intensive than it used to be, we'll see the widespread adoption of network technologies in all spheres of society, even in the most unexpected.

Secondly, the world will inevitably start a gradual transition from the stage of "digital penetration" to the stage of global "digital management" and "digital control".

In the context of contemporary COVID-19 crisis the potential modalities of anti-crisis cooperation and hedging potential risks at the BRICS-Plus level may include:

1) Coordination at the level of regional stabilization mechanisms and reserve funds, as well as various types of multilateral financial risk insurance initiatives,
2) Consolidation of financial resources at the level of regional development banks,
3) Synchronization of agendas at the level of five regional blocs in the context of an intensive transition to digital globalization.

We now proceed to look at the first such layer of potential BRICS-Plus cooperation, namely the coordination of the regional financing mechanisms (RFAs), where BRICS-Plus countries are members.

III. BRICS-Plus Circle of Regional Stabilization Mechanisms and Reserve Funds

The consolidation of financial resources is of particular importance in the current crisis environment as the world community is struggling to deliver a powerful coordinated stimulus to counter the COVID-19 crisis. Importantly, the regional financing institutions are not yet well-integrated into the global governance framework, which raises the need for a coordinated framework for regional arrangements to be created. Most recently, however, efforts to create such platforms for regional financing arrangements have been undertaken at the level of IMF/G20 cooperation, with regular bi-annual meetings conducted between the IMF, EU and G20 officials together with representatives of all major RFAs such as the ESM, BRICS CRA, the Arab Monetary Fund, etc[6].

The BRICS-Plus grouping could potentially serve as a foundation for creating an anti-crisis coordination platform for regional financing arrangements. Indeed, there are a number of such RFAs across the developing world, of which the largest one is the Chiang-Mai Initiative. At the same time the regional stabilization mechanisms and reserve funds where BRICS-Plus countries are members are very different in terms of their scale (see Table 2), as well as ability to respond external shocks. Across the Global

[6] *URL: https://efsd.eabr.org/en/press-center/news/efsd-participates-in-third-rfa-high-level-dialogue/*

South, African and South Asian countries are poorly incorporated into the regional stabilization mechanisms. In particular, India has recently proposed to establish the COVID-19 emergency fund for SAARC nations, but the potential capacity is incomparable with the existing initiatives (the country's initial contribution is only $10 mln). Hence the need for the BRICS-Plus platform to raise the degree of coordination across existing and future regional financing arrangements.

Table 2. REGIONAL STABILIZATION MECHANISMS AND RESERVE FUNDS IN THE BRICS-PLUS CIRCLE

	Total Amount, $ bln
BRICS Contingent Reserve Arrangement (CRA)	100
Chiang-Mai Initiative (CMI)	120
Latin American Reserve Fund (FLAR)	10
Eurasian Fund for Stabilization and Development (EFSD)	8,5

Source: Compiled by the authors based on official data from organizations as of June 2020.

The anti-crisis potential of the BRICS-Plus framework has been accentuated by the COVID-19 pandemic as more developing countries are looking to explore alternative sources of reserves and resources to support the national economy. In fact, the need for additional anti-crisis mechanisms such as BRICS-Plus is all the more pressing in the current crisis, given that the pandemic has had a particularly pronounced effect on emerging markets, most notably in Latin America. In fact, as of June 25th out of 10 leading economies in the world in terms of new COVID-19 cases 5 are from Latin America and 4 are from BRICS.

In this respect, one symptomatic piece of analysis comes from Argentina's Observatorio de Coyuntura Internacional y Política Exterior (OCIPEx), whose report on BRICS-Plus singles out a number of advantages for Argentina in participating in the BRICS-Plus framework. These include access to the resources and projects of the BRICS New Development Bank (NDB), greater access to the vast markets of Eurasia as well as access to the resources of the Contingent Reserve Arrangement (CRA) of the BRICS. Accordingly, the report calls to "direct diplomatic and political efforts for Argentina to accede to the BRICS-plus framework and thus achieve a more constructive relationship with Eurasian economies, find additional sources of financing for infrastructure projects from NDB and a multilateral coordination platform with the relevant counterparties"[7]. The resources of NDB and the BRICS CRA are accordingly viewed as alternative instruments to the standard tools of World Bank and IMF loans in countering the severe economic downturn.

The Latin American and South Asian participants, as well as African ones can potentially become the main beneficiaries of the BRICS-Plus multilateral stabilization network, while the East Asian countries could become the main source of the funds.

In order to raise the anti-crisis capabilities of the BRICS-Plus circle greater coordination and a possible pooling of resources of regional financing arrangements (such as the CMI, the Eurasian Fund for Stabilization and Development, etc.) and BRICS CRA. This greater coordination between the regional financing arrangements could be used to bolster the use of national currencies of BRICS-Plus countries in mutual settlements. This in turn would serve to lower currency mismatches for developing economies with high levels of debt during crisis periods.

Apart from the pooling of resources for anti-crisis measures via the creation of a common platform for regional financing arrangements, there is also the need for a more robust framework for crisis prevention within the BRICS CRA in cooperation with regional RFAs. This work needs to proceed via the elaboration or regional and trans-regional early warning system, reserve adequacy and debt sustainability analysis as well as other mechanisms intended to mitigate the adversities of a possible crisis.

IV. BRICS-Plus Network of Regional Development Banks

The consolidation of financial resources also means strengthening interaction among regional development banks and international investment funds and financial initiatives, such as the new BRICS Development Bank and the Asian Infrastructure Investment Bank.

[7] *URL: https://www.minutouno.com/notas/5104902-brics-plus-una-oportunidad-la-recuperacion-la-argentina-la-pospandemia*

The regional development banks have already launched anti-crisis initiatives, although their efforts are rather asymmetrical in intensity and scales.

ADB tripled the size of its response to the COVID-19 pandemic to $20 billion and approved measures to streamline its operations for quicker and more flexible delivery of assistance[8]. The ADB and AIIB have both stepped up support to mitigate the effects of COVID-19, and cushion the potential for severe recession in the Asia-Pacific region. They launched the COVID-19 Pandemic Response Option, or CPRO, under the bank's Countercyclical Support Facility, which is a quick-disbursing budget-support facility to help countries mitigate the economic shocks caused by the pandemic and bankroll measures to curtail the spread of the virus[9].

The IDB Invest, a member of the IDB Group, is going to increase its COVID-19 response to $7 billion in financing, which includes an additional $500 million in long-term investments and $1.5 billion in trade finance operations. In addition to the $7 billion, IDB Invest plans to mobilize capital from third-party investors[10].

The African Development Bank approved the COVID-19 emergency packages for the continent's five geographic regions. The total amount of financial support accounts for about $945 million with 97% going to 4 African countries – Morocco, Tunisia, Kenya, Mauritius[11].

At the same time the role of the Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (EFSD) in handling COVID-19 impact is limited.

The contemporary crisis has already pushed the development of co-financing programs and provided consolidation of global finances. For instance, AIIB allocated $1 billion in loans to Indonesia to support its pandemic response — $250 million as part of a co-financing program with the World Bank and the Islamic Development Bank, and $750 million as a co-financing project with ADB[12].

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[8] *URL: https://www.adb.org/news/videos/adbs-response-covid-19-side-our-developing-members*

[9] *URL: https://www.devex.com/news/interactive-the-multilaterals-funding-the-covid-19-response-in-southeast-asia-and-pacific-97376*

[10] *URL: https://www.idbinvest.org/en/news-media/idb-invest-increases-covid-19-response-5-billion-7-billion-crisis-worsens*

[11] *URL: https://www.afdb.org/en/news-and-events/african-development-bank-covid-19-response-moving-commitment-action-36188*

[12] *URL: https://www.devex.com/news/interactive-the-multilaterals-funding-the-covid-19-response-in-southeast-asia-and-pacific-97376*

As regards the core BRICS countries the loans disbursed by the NDB to fight the coronavirus epidemic have become the most notable factors of the BRICS anti-crisis response so far. In particular, in March 2020 the NDB approved the disbursement of a USD 1 billlion loan to China, in May 2020 a USD 1 billlion loan was approved for India, in June 2020, the Board of Directors of the New Development Bank (NDB) approved a COVID-19 Emergency Program Loan of USD 1 billion to the Government of the Republic of South Africa, in July 2020 USD 1 billlion was approved for Brazil. According to the NDB, “the loan [to Brazil] marks the Bank’s fourth emergency assistance program to combat COVID-19, following similar loans to China, India, and South Africa, and thus raises NDB’s financial support against COVID-19 to the level of USD 4 billion. It is also NDB’s biggest loan approval to Brazil so far, thus contributing to expanding the share of loan approvals in the country from 8.4% of the NDB’s total portfolio, to 13%”[13].

We note, however, that in view of the global role to be performed by the BRICS grouping, particularly during the crisis periods such as the current economic downturn, it will be important to devise mechanisms that allow for the wider circle of developing countries outside of the BRICS core to receive support from the NDB. At this stage it is obvious, that the participants of the potential BRICS-Plus Circle from the developing world experience an asymmetrical access to regional and global finances in the context of emergency shocks. The creation of the consolidating mechanism at the BRICS-Plus level will potentially address this issue. One of the potential pathways in the near term may be greater assistance to the regional partners of the core BRICS countries undertaken through the regional offices of the NDB – the NDB’s African regional centre was created in Johannesburg, South Africa, another one for the Americas was approved in July for Brazil, with Moscow set to become the NDB’s Eurasian regional centre possibly later this year.

Another possible mode of expanding the NDB’s outreach to a wider group of developing countries is through the expansion in NDB’s membership. In effect, the expansion in the membership of the Bank may lower the urgency of the expansion in the core BRICS membership, while the pattern of the expansion in NDB’s membership may be considered as one of the trajectories of the BRICS-Plus cooperation between core BRICS members and their regional partners from the developing world.

[13] *URL: https://www.ndb.int/emergency-assistance-program-in-combating-covid-19-brazil/*

In fact, it is through the expansion in NDB's membership that the BRICS-Plus concept can be institutionalized during the very initial stages of its implementation. According to Sergey Storchak, former Deputy Head of Russia's Finance Ministry, one of the potential paths for the expansion in NDB's membership could involve the accession to the Bank of the regional partners of the core BRICS economies.

Such a regional approach in the expansion of NDB's membership makes economic sense since it allows core BRICS economies to pursue more actively connectivity integration with their regional neighbours with financing for the corresponding projects provided by NDB. A regional strategy in the expansion of NDB's membership also enables the Bank to exploit the potential synergies that exist between NDB's financial instruments and the regional mechanisms that may complement and amplify the effects of the bank's project financing.

In this respect, the economic effects and the potential for pursuing connectivity integration of core BRICS economies with their regional partners could be further reinforced via creating a platform for the cooperation of regional development banks and funds where BRICS countries are members. This platform of regional development banks could comprise the Eurasian Development Bank (EDB), the Development Bank of South Africa (DBSA), the SAARC Development Fund (SDF), Mercosur Structural Convergence Fund (FOCEM), China Development Bank (CDB), China-ASEAN Investment Cooperation Fund (CAF), and the New Development Bank (NDB). As noted before, within this group of development institutions, the NDB could potentially perform a coordinating role with respect to BRICS-Plus initiatives.

In terms of cooperation between the regional development banks of BRICS countries, in 2016 the Eurasian Development Bank (EDB) in collaboration with the New Development Bank, Nord Hydro, and the International Investment Bank (IIB) signed an agreement on construction of small hydropower plants in the Republic of Karelia (Russia). The project may be the first completed NDB project in the Bank's loan portfolio. In April 2017, the Eurasian Development Bank (EDB) signed a memorandum on cooperation with the NDB.

At the same time we note that not only asset consolidation is needed, but also some revision of the priorities: top-priority areas and projects, attracting financing from regional and global financial institutions – the World

Bank and the IMF. Along with physical infrastructure development projects and environmental projects preferences should be given to critical digital infrastructure development projects in a group of developing countries. The poorest countries need sizable financial injections to critical digital infrastructure, otherwise, we will miss the right moment and face the rapid growth of global social inequality.

Closer cooperation between NDB, regional development bank and the World Bank may contribute to shifting the agenda of the latter, which is often criticized for not giving sufficient weight to the environmental and social impact of its projects, as well as for its weak focus on industrial development, while these areas are the key priorities for the NDB.

In the end, the main potential in the "regionalist expansion" of NDB membership is the continental connectivity integration among BRICS members and their regional partners, most notably in the case of Africa. Indeed, connectivity integration lays a firmer foundation for African economies to pursue development via building regional cooperation rather than relying mostly on external assistance. A regional approach to building BRICS cooperation with African countries could also rely on the cooperation between the respective regional development banks, such as the Development Bank of South Africa as well as the African Development Bank – in both cases South Africa is a member. As noted back in 2017 in the Valdai publication, "the BRICS New Development Bank and its regional centre in Africa could play a coordinating role in the efforts of regional and national development institutions in advancing greater regional connectivity"[14].

One of the questions will be whether it makes sense to have a material expansion early on or whether the approach should be incremental, with several rounds of expansion eventually bringing NDB's membership closer to a combination of regional economic blocs where core BRICS countries are members. On this issue gradualism and caution may be warranted as the New Development Bank will need to establish a firm track-record of completed projects among its members early on before significantly increasing the ranks of its members.

In the longer term the patterns outlined by the expansion in NDB's membership may set the trails for developing the BRICS-Plus format in other areas, including with respect to potential coordination of regional integration blocs, such as the Eurasian Economic Union, MERCOSUR, SACU and others.

[14] *Lissovolik Y. A BRICS-Plus framework for Africa: targeting regional connectivity, Valdai Club, December 4, 2017. URL: https://valdaiclub.com/a/highlights/a-brics-framework-for-africa/*

V. BRICS-Plus as a Platform for Cooperation Among the Regional Blocks

Perhaps the most effective way in which the BRICS-Plus could prove to be instrumental in strengthening the anti-crisis response of the world economy would be to through filling the voids and the gaps in the current global governance system. These include imbalances within multilateral global institutions (between the weight of developed and developing economies), lack of coordination of regional institutions such as regional trading blocs, regional development banks, regional financing arrangements (currently there is no such mechanism in the global governance system), the acute need for an expansion in the array of reserve currencies available in the global economy, as well as the absence of an ex-ante, pre-determined anti-crisis mechanism that may involve coordinated fiscal and/or monetary stimuli across the globe during periods of severe downturn.

The BRICS are uniquely positioned to lead the global community in bridging the above gaps and inefficiencies. Apart from the increasing weight of the bloc in the world economy, the BRICS exercise a “comparative advantage” compared to other blocs and arrangements in reaching out to the rest of the world, given that this diverse grouping is present in all of the main regions of the developing world. Accordingly, there is the potential to create a BRICS-Plus platform for regional integration arrangements such as BIMSTEC, the Eurasian Economic Union, SCO, Mercosur, SACU/SADC, as well as other regional integration blocs of the Global South. In this way the aggregation of the regional integration blocs where BRICS are members may form the basis of BRICS-Plus, which in turn through greater openness and inclusivity will be in a much stronger position to address the gaps in global governance outlined above[15].

Importantly, the BRICS through the BRICS-Plus framework can serve as a gateway to alternative liberalization and economic integration impulses[16]. Such an alternative should allow for a critical level of optionality in the direction of the development of the global economy, whether in terms of the economic

[15] *Lissovolik Y. & Vinokurov E. (2019) Extending BRICS to BRICS-Plus: the potential for development finance, connectivity and financial stability // Area Development and Policy, 2019, 4:2, Pp. 117-133.*

[16] *Lissovolik Y. BRICS-Plus: Alternative globalization in the making? // Russia in Global Affairs. September 8, 2017. URL: https://eng.globalaffairs.ru/articles/brics-plus-alternative-globalization-in-the-making*

models pursued by countries or in terms of currencies and payment systems that may be employed to service cross-border transactions. It should also allow the world economy to make full use of one of the most promising reserve for boosting global economic growth, namely South-South economic integration.

In order to raise the appeal of building alliances with the BRICS countries and to become one of the critical elements in the new international economic architecture the bloc needs to make advancements in such critical areas as raising environmental standards. Greater emphasis on environmental protection needs to become one of the systemic elements of BRICS strategy in intra-BRICS cooperation as well as the outside world. There may also be a case for jointly developing strategies for raising corporate governance standards as well as reducing economic imbalances and inequalities across regions. On the latter point, one of the promising venues of cooperation may be the fostering of economic linkages and the broader development of the remote inland (Hinterland) regions of the BRICS countries that are faced with high transportation costs and other infrastructural bottlenecks.

The path to playing a major role in shaping the new global governance will also involve the BRICS working with global organizations such as the WTO to address issues ranging from procedures on dispute settlement to cooperation with regional institutions and devising norms on curbing technological, financial and investment protectionism in the global economy. In working with the advanced economies on addressing some of the key gaps in the global governance system the BRICS together with allies from the wider BRICS-Plus circle can deliver a crucial contribution to the reinforcement of the multilateral framework of international institutions.

Besides, BRICS-Plus can become a multilateral platform to discuss trade-related issues of e-commerce, initiatives for e-commerce facilitation and transparency, and simplified schemes for obtaining loans from multilateral financial institutions to develop the e-commerce infrastructure[17]. The harmonization of e-commerce policies for better “digital management”, including the development of a harmonized taxation mechanism for e-commerce good, single information space for electronic business, and convergence of the National Single Window programs is of crucial importance in terms of contemporary crisis and accelerated digitalization of economic activity.

Perhaps most importantly, the BRICS-Plus framework significantly strengthens the propagation of anti-crisis impulses from BRICS countries

[17] *Arapova E. The “BRICS-Plus” as the First International Platform Connecting Regional Trade Agreements // Asia-Pacific Social Science Review. 2019. Vol. 19. No.2. Pp. 30–46. URL: https://apssr.com/volume-19-no-2/the-brics-plus-as-the-first-international-platform-connecting-regional-trade-agreements/*

to a wider circle of countries, most notably the regional partners of the BRICS core. It enables the developing countries to make use of regional institutions and mechanisms (development institutions, "regional integration projects", regional surveillance and monitoring arrangements, early warning systems, etc) to assess the cross-border spill-over effects within regional grouping and to strengthen their positive impact over the possible adverse effects. In effect the BRICS-Plus framework allows the BRICS countries to widen the scope of countries that benefit from coordinated anti-crisis measures, which in turn serve to reinforce the role of the BRICS grouping across the Global South and more broadly on the international arena.

The BRICS-Plus platform can also serve as a basis for a pre-established, ex-ante anti-crisis framework, which also ensures greater regional and trans-regional synchronicity in anti-crisis measures. The importance of greater synchronicity in anti-crisis response has become particularly important during the current crisis, with anti-crisis policies at the national level being largely fragmental and lacking regional coordination.

Conclusion

The current global crisis has revealed a number of deficiencies in the global governance framework, whether at the level of global institutions, or at the level of regional integration blocs. With respect to the latter, the lack of response to the crisis from the regional institutions was exacerbated by the lack of contingency measures to strengthen the impact of these anti-crisis stimuli for the regional partners of the leading heavy-weights in the global economy. The current crisis has amply demonstrated the importance of regional factors in the spreading and the containment of the pandemic. This is why new formats of economic cooperation that accord substantial weight to regional and cross–regional cooperation – such as the BRICS-Plus initiative – may become more prominent in the anti-crisis efforts at the global level going forward.

Apart from greater optionality in finding additional sources of anti-crisis financing, there is also an important role to be performed by BRICS-Plus as a platform for coordinating the anti-crisis efforts of the entire Global South as the current crisis has revealed a particular vulnerability of the developing countries in the face of the pandemic and the economic downturn. Indeed, as the pandemic spread across the developed economies during the first stages of the crisis, the subsequent phases of the propagation of the pandemic engulfed the countries of the Global South with great speed, with BRICS countries and developing economies from Latin America being particularly hard hit.

The anti-crisis role of the BRICS-Plus framework may be predicated on the greater engagement with the regional partners of the BRICS core in areas such as regional connectivity, regional early warning systems as well as anti-crisis measures that are designed to deliver a strong regional (not just national level) effect. This in turn will involve more activism from the New Development Bank in expanding its membership to the regional partners of the BRICS countries and designing anti-crisis and economic sustainability measures for new members. With respect to the BRICS CRA there is a need for a comprehensive analysis of the economic and systemic vulnerabilities (including potential regional spill-over effects) across the BRICS-Plus platform, with the evaluation of the possibility for extending stabilization loan packages to the regional partners of the BRICS countries.

An important element within the BRICS-Plus anti-crisis framework will need to be the promotion of the use of national currencies as a way to reduce currency mismatches – the NDB and the BRICS CRA as well as the potential creation of a BRICS Pay mechanism could play a crucial role in this respect. Another area to be explored in the area of cooperation among the regional integration arrangements such as MERCOSUR, EAEU or ASEAN may be the promotion of regional and trans-regional value-added chains that may be supported during crisis periods with coordinated policy measures to prevent their fragmentation. And, of course, there is also the need for the NDB and the BRICS CRA to serve as platforms for the cooperation of the respective regional development institutions – in the case of NDB this would concern the regional development banks, while in the case of the BRICS CRA this relates to the cooperation among the Regional Financing Arrangements (RFAs) of the Global South.

In the end, the BRICS-Plus framework may turn out to be more inclusive in engaging a wider range of economies from the Global South compared to the QUAD+ project that includes the QUAD core (the United States, Australia, Japan and India) as well as Vietnam, South Korea and New Zealand. While the QUAD+ expansion appears to be focused on bringing additional countries into the fold on the basis of a strategic proximity in interests, the BRICS-Plus initiative is evolving via bringing together not just individual countries, but regional integration groupings across the Global South. As opposed to the QUAD+ framework BRICS-Plus includes such regions as Africa and Latin America, regions that are currently particularly hit by the COVID-19 crisis and are at the heart of the global efforts to bolster development and modernization in the developing world. Most importantly, the advantage of a regional dimension in the BRICS-Plus set-up will enable the grouping to be more effective in delivering growth impulses across a wide range of developing countries that are regional partners of the core BRICS via the coordinated anti-crisis measures.

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