



# Euro-BRICS

## EURO-BRICS PROCESS

4th Euro-BRICS Seminar

**« Towards a renovated global governance – Peace, Energy, Currencies, Trade : the Euro-BRICS partnership, a condition to a non-conflictual cooperation between world blocks »**

**Moscow (MGIMO), May 23-24, 2013**

*organized by LEAP/E2020 in partnership with MGIMO*

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### **Rationale:**

The crisis of legitimacy faced by the institutions of the global governance system set up after 1945 is resulting in the collapse of the old framework of international cooperation, with apparently nothing ready to replace it, besides a myriad of more or less successful regional integration projects. The supra-national regional entities that are currently being forged, created in a context of increasing emergency, are indeed the building blocks of tomorrow's multipolar world. These integration processes are certainly a necessary step, but without a new "global" governance framework, capable of harmoniously combining these new components, conflicts of interest will soon oppose them and will quickly lead the world into the logic that prevailed in Europe in the late nineteenth century and the first half of the twentieth century.

Today everyone can see these tensions mounting between blocks on the themes of access to commodities, trade, currencies,.. putting high pressure on the fragile world peace and endangering the impressive development of emerging powers and the long period of prosperity of Western powers.

The next G20 to be held in Moscow in September is the next opportunity that the world gives itself to find solutions to the growing difficulties facing its equilibrium. But time is running out...

### **The strategic alliance Euro-BRICS:**

For three years now and based on three seminars already, LEAP and MGIMO have been advocating a Euro-BRICS strategic alliance wishes to enable:

- Europe to turn more resolutely towards the future dynamics that the BRICS bring
- the BRICS to find the allies they need to achieve a more balanced global governance system.

In this double simultaneous development, the whole world has everything to gain.

### **Themes:**

Thus the next Euro-BRICS network meeting will take place in Moscow to discuss four key themes that are potential sources of major conflict for which closer Euro-BRICS alliances could bring solutions:

- Peace
- Currencies
- Energy and commodities
- Trade

In each of these areas, the structures of the previous international framework are failing (NATO, Dollar, OPEC, Doha Round...); in each of these areas, Europe can present successful experiences (ECSC, Euro, peace, European market); in each of these areas there are challenges for Europe, the BRICS and the world of tomorrow. That is why each of these areas provides a focus for dialogue between Europe and the BRICS.

### **Objectives:**

The findings of the presentations and discussions that will result from each of these topics will provide the input for strategic recommendations to be forwarded to G20, BRICS and European decision makers ahead of the September G20 summit, fueling the central recommendation of the Euro-BRICS network arising from its last meeting in September 2012: **to organise, ahead of the G20 Summit, a mini Euro-BRICS summit to define the common positions likely to provide solutions to the crisis of global governance system.**

## PROGRAMME

Moderation: Marie-Hélène Caillol and Sylvain Périfel

### Thursday, 23/05/2013

10.00 – 10.30 Introductions

- Tamara Shashikhina, Director, European Studies Institute, MGIMO, Moscou, Russia
- Valery Vorobiev, Head, MGIMO-University Group for Euro-BRICS Issues
- Marie-Hélène Caillol, President of LEAP

10.30 – 10.45 Roundtable

#### **Currencies - Opposing the currency war and finding the means to accelerate the reform of the international monetary system**

10.45 – 12.00

- . *Road to fair financial and economic architecture: Europe and BRICS together?* by Viktoria Panova, Associate Professor, Department of International Relations and Foreign Policy of Russia, MGIMO-University; Regional Director for Russia, G8 Study Group, University of Toronto
- . *The necessary reform of the international monetary system*, by Sylvain Périfel, Coordinator of the GEAB, LEAP
- . *Towards a deeper economic and monetary union*, by Loukas Stemitsiotis, Head of Unit EFC and EPC Secretariat, European Commission, Brussels, Belgium
- . *On the future of international monetary framework*, by Zhongxia Jin, Head Research Institute, The People's Bank of China, Beijing, China
- . *An alternative financial architecture led by Brics - design, implications, projected evolution - and the possible response from the West*, by Akshay Mathur, Geoeconomics Fellow and Head of Research at Gateway House, India
- . Debate 1

12.30 – 14.00

- . *The Western Balance Sheet Recession: Implications for Currencies and the Global Financial System*, by Juan Laborda, Chief Strategist Razona Estudio de Economía y Finanzas, and Associate Professor in Universidad Carlos III and Instituto de Estudios Bursátiles (IEB), Madrid, Spain
- . *Towards a crisis-resilient international monetary system*, by Bruno Paul, Doctor in Sciences, Offering Manager for Agile Projects - AtoS France / A graduate from LEAP's Academy, Paris, France
- . *Modeling Development Bank for BRICS: from concept to policy implications for EU-Russia partnership*, by Natalia Khmelevskaya, Associate Professor, Department of International Economic Relations and Foreign Economic Ties, MGIMO-University
- . *The BRICS and Euro-BRICS financial cooperation*, by Wei Huang, Senior Research Fellow Deputy Director, Department of Global Governance, CASS, China
- . *The common challenges that BRICS will face in the post-crisis era*, by Prof. Liu Junmei, Center for BRICS Studies, Fudan University, China
- . Debate 2

#### **Trade - Opposing neo-protectionist trends and inventing the new international framework for enhanced trade relations, respectful of each region's human prosperity objectives**

15.30 – 18.00

- . *Introduction*, by Georgy Toloraya, Executive Director, National committee for BRICS studies, Moscow
- . *Will we finally witness the end of a deadlock? The changing hands of the WTO - What to expect from Brasil's leadership for the next 4 years*, by Pedro Simoes, Graduate from LEAP's Academy, Lisbon, Portugal

- . *Trans-Pacific Partnership, Transatlantic Trade and Investment Partnership and China's choice*, by Mr Song Hong, Chinese Academy of Social Sciences (CASS), China
- . *The EU, the BRICS and the multilateral trade system*, by Guillaume Durand, Trade Affairs Manager, Economic and Trade Section, Delegation of the European Union to Russia, Moscow, Russia
- . *Trade - Opposing neo-protectionist trends: Inventing the new framework for enhanced Euro-BRICS trade policy coordination*, by Tatyana Isachenko, Professor, Department of International Economic Relations and Foreign Economic Ties, MGIMO-University, Moscow, Russia
- . *Proliferation of Free Trade Agreements, Currency Conflicts and the Inter-State System*, by K. N. Harilal, Coordinator, Research Unit on Local Governments, Centre for Development Studies, Trivandrum, India
- . Debate

## Friday, 05/24/2013

### Energy and commodities - Opposing conflicts of interest and designing a new international framework for the access to raw materials

09.30 – 11.00

- . *The ECSC experience, state of the concept of pooling resources in Europe today, lessons for tomorrow's Europe and world*, by Marianne Ranke-Cormier, Secrétaire Générale, Promete (Association de Promotion des Médias Trans-Européens), Paris
- . *Stakes, tensions and prospects of trade and cooperation BRICS - European Union in Africa*, by Professor Alexander Zhebit, Professor of International relations, Universidade Federal de Rio de Janeiro, Brasil
- . *Resource nationalism and the BRICS: threat or opportunity?* by Michael Kahn, Professor Extraordinaire, Stellenbosch University, South Africa
- . *Promoting energy security and mitigating climate change*, by Eduardo Viola, Professor of International Relations, University of Brasilia / Member of BRICS Studies and Research Centre, Brasil
- . *The consequence of oil speculation and manipulation*, by Taco Dankers, Entrepreneur, software engineer, Dankers & Frank, Consulting and Software Engineering, Amsterdam, The Netherlands
- . Debate

### Peace and global governance - Strengthening the role of the UN as a basis for world peace keeping/promotion

11.00 – 12.30

- . *Reviving the ZOPACAS: Trans-Regional Contestation of NATO in the South Atlantic*, by Adriana Erthal Abdenur, General Coordinator, BRICS Policy Center Brazil
- . *Political Anticipation methodology: a tool for global governance reform*, by Jose Maria Compani Morales, President FEFAP, Managing Partner Claritic - Open Government Strategies, Associate Professor IE Business School, Sevilla, Spain
- . *Positions of Brazil and Russia on the UN's Security Council reform: debates and criticisms*, by Ludmila Okuneva, Director, Centre for BRICS Studies, MGIMO-University, Moscow, Russia
- . Debate

13.30 - 14.30

- . Debate: Identifying 10 recommendations for the Euro-BRICS leaders

14.30-15.00

- . *Europe BRICS cooperation in the field of Space policy and legal aspects: presentation of Leiden University's symposium*, by Caroline Lubbers, Euro-BRICS project officer, LEAP, Amsterdam, The Netherlands
- . Conclusion

## REPORT

For three years now and based on three seminars already, LEAP and MGIMO have been advocating a Euro-BRICS strategic alliance to enable: Europe to turn more resolutely towards the future dynamics that the BRICS bring; and the BRICS to find the allies they need to undertake the reform of global governance system in their favor. In this double simultaneous development, the whole world has everything to gain.

The last Euro-BRICS network meeting took place in Moscow to discuss four key themes, bearers of major conflicts, to which closer Euro-BRICS alliances could bring solutions: Defense and security; Currencies; Energy and commodities; Trade.

In each of these areas, the structures of the previous international framework are failing (NATO, Dollar, OPEC, Doha Round...); in each of these areas, Europe can present successful experiences (ECSC, Euro, peace, European market) ; in each of these areas lie challenges for Europe, the BRICS and the world of tomorrow. That is why each of these areas provides a focus for dialogue between Europe and BRICS.

After the success of the previous events we are pleased to present the fourth Euro-BRICS seminar Report, organized by [LEAP/E2020](#) in partnership with the [MGIMO University](#) of Moscow.

### **Currencies - Opposing the currency war and finding the means to accelerate the reform of the international monetary system**

The panel took the discussion on currencies approaching the imperative need of reform of the international monetary system (IMS). The systemic global crisis has clearly shown the end of the dollar era. Decades of living at the expense of credit bubbles must come to an end and it is therefore time to seek alternatives to the current system.

Analysing the current economic landscape it was found that there are two opposing trends developing on the approach to this issue. Inside the G20 we have two sides, one that includes the US, UK and Japan - which represent the status quo - and on the other we find all other members of the G20. It was noted that Europe, or more accurately Euroland, has a choice to make between keeping the status quo and the Western privileges, or to face, head on, the challenges of the 21st Century and embrace the rising of new players to global affairs and take part on this new multipolar world. With very complex internal challenges that call for innovative measures, the EU and the Euro must remain as benchmarks of common political and economic will. In particular the Euro must free itself from the dollar zone infrastructure, which it still depends on when it comes to international exchanges, in order to fulfill its status of global reserve currency. The BRICS countries have committed themselves to take a common approach to the IMS reform and lead the developing world inside the G20 negotiations. Following the US and EU sanctions on Iran, the BRICS were made "hostage" for

trade payments on SWIFT, Insurance, etc... This situation highlighted the need to design a parallel payment system like an international clearing union and for the relaunch of the Asian clearing union.

Facing variety of a new international architecture challenges BRICS countries have committed themselves to find alternative ways for leveling currency fluctuations outside conventional IMF arrangements. This situation highlighted the need to design BRICS parallel payment system or clearing union. China and Russia have already made trade payments in Renminbi and Roubles. China and Brazil tend to ASEAN swap agreements model signing \$30bn currency swap deal. Emphasizing the need for more coordinated efforts to support common finance initiatives leaders of BRICS have agreed to establish their Development Bank. It is proposed as a new structure to strengthen intra-BRICS cooperation to develop new paradigms for sustainable and inclusive growth models.

It was added by a member of the panel that the BRICS have committed to further support and cooperate to an Agenda on international fora on economic and monetary stability and have witnessed the US / EU resistance to this process and their use of power to hold stability. Taking various approaches in currency policy, the BRICS have expanded their debt portfolio, agreed on several currency swap agreements and are taking on the challenge of building their own bank of development - bypassing the World Bank whose recently reformed statutes have not yet been accepted by the US. Facing the challenges of rising economies, this mechanism would relieve their liquidity pressure, strengthen their financial stability net and handle capital flow problems: a golden contingency plan.

The panel agreed that the solution must come from multilateral international institutions. The BRICS must take part to this transition, reviewing the IMF current quota system, assisting on structural reforms where needed, leading to a deficit reduction and to the correction of world trade imbalances. Adding to that, the panel urged to the need to refrain from competitive devaluation.

To this end, the financial cooperation was developed by the BRICS and between the EU and the BRICS. Through the Chinese perspective it is of great importance. As far as Beijing is concerned the challenges ahead of the developing countries' economies will be hard and will require monetary policy coordination. Challenging the current IMF quotas and the SMR1 monetary policy, is seen as a tangible reality by the Beijing advisors and a way to culminate on multilateral governance, sharing of economic growth allowing for a short-term capital inflow management system.

The panel agreed that the upcoming global challenges require a stable economy, a coordinated monetary policy, the control of currency manipulation and the reform of the reserve currency system. It was underlined by the panel the added-value of a EU-BRICS currency swap and the development of smoother mechanisms to assist on Trade and Investment financial exchange to help solve the payment crisis.

The September G20 summit in St. Petersburg could prove to be a changing point in world history. We advocate for a Euro-BRICS meeting and the commitment to develop a common agenda, to step up and embrace the world of the 21st Century pursuing a far more integrated agenda on financial, economic and social affairs.

The world of tomorrow and the path out of this crisis depends to a large extent on the qualities of the new international monetary system and its stability.

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<sup>1</sup> SDR its the IMF Special Drawing Rights : <http://www.imf.org/external/np/exr/facts/sdr.htm>  
www.leap2020.eu

## **Trade - Opposing neo-protectionist trends and inventing a new international framework for enhanced trade relations, respectful of each region's human prosperity objectives**

The global systemic crisis has deepened the already complex problems of the Trade system. The collapse of the dollar wall and the rise of emerging economies is a trend on which all participants have agreed.

The transition to a multipolar system, the development of various gravity centres, challenging Western hegemony is now a reality rather than anticipation. The BRICS countries were brought together as financial targets: Goldman Sachs' report referral as the next big economies to invest. It evolved to an alliance after Putin's invitation to all other BRIC leaders - a political vision. The group has developed to a shared political vision for the world after the crisis.

Looking at the institution responsible for coordinating world trade (World Trade Organization - WTO) participants agreed on the dire need to reform this multilateral body. The WTO as seen the Doha Round and its Agenda (DDA) going to a 12 year negotiation standstill. One participant noted that the nomination of the Brazilian ambassador to Secretary-General might be the sign of a changing world. The challenges ahead of the new SG facing a Ministerial Meeting at the end of the year (Bali, December 2013) are huge.

The Doha deadlock has brought several changes in trade relations giving focus on bilateral and regional policies. The West has been promoting this standstill, unwilling to review key issues for the developing world. It was added by the panel that towards this bias and blocking position, the BRICS have committed to further coordinate their agenda on this issue, despite maintaining their independence from one another on the negotiations.

The world trade system has been under attack by protectionist measures taken by Western governments. "Abandoning" their commitment to pursue free trade policies, they have been developing new regulation and non-tariff barriers (subsidies, government intervention on economic sectors, etc.). These neo-protectionist measures are aggressive, reactive, have a collective impact and are guided with a monopolistic mind-set.

The rise on FTA's mirrors this trend. The EU and the US, who have greater experience on these agreements, have promoted efforts to clinch new markets whilst protecting their own strategic sectors. In this context, one participant outlined the need for the BRICS to develop cooperation strategies creating a value added supply chain as a new business model, which would be exclusive to them.

One participant reached to understand the final outcome of this trend, questioning if this bypass of multilateral agreements was a way to make the system redundant and obstruct its revival? Rather than questioning the outcome we aimed to find solutions to counter act this trend. One participant advanced one solution to the problem of trade deflection in FTA having stringent Rules of Origin (RoO) would prevent transshipment of goods by requiring product to originate in exporting countries. As simple as it seems, it is nevertheless one of the main reasons for the DDA negotiations deadlock.

With these developments, having a two-trend dispute, the panel agreed on the need to change the current framework to a more comprehensive and integral agenda. Towards this end, with the cooperative vision of the debate, participants agreed on the usefulness and ground breaking cooperation between the BRICS and Euroland. One participant described this cooperation as a win-win situation. The EU being the largest host of FDI and biggest importer/exporter in the world would benefit from this openness to new emerging markets and the BRICS countries would benefit from this synergy.



The panel agreed that despite there is no common Euro-BRICS policy yet, there is a more complex framework being developed to fight against protectionism and to ultimately rebalance the world monetary system and stabilize world trade. This new framework for enhanced Euro-BRICS trade policy coordination has to be set with long-term objectives ensuring a dynamic trade policy opposing current governments approach to promote interests of internal producers and to raise protectionist measures on their markets.

Ultimately the participants agreed to advocate for a deeper cooperation between Euro-BRICS in order to develop an extensive value added chain between the blocs. This partnership would prove to be ground-breaking on such organizations as the WTO and the G20 and over the Doha Round Negotiations. This political dialogue would prove to be extensive and open to a multilateral, comprehensive world.

### **Energy and commodities - Opposing conflicts of interest and designing a new international framework for the access to raw materials**

With a very sensitive market and increasing competition for a steady supply route the global energy market is of great concern to the world of the 21st century insofar as it is vital to shape it peacefully.

With strategies being drafted and reshaped, or even tossed aside on a daily basis, great emphasis was given to the need for coordinated, extensive measures to handle this issue. One of the participants came forward with a possible solution of coordinated policies. Following the European Union construction, it was acknowledge that the framework for the European Community for Steel and Coal provides a remarkable case study. Not so as a practical model but rather the political will and commitment to a common energy market which would prove to be a great asset to deflate any crisis situation and push for a harmonization of governance institutions and access to resources.

Under this framework, proceedings went towards identifying the global players of the energy market. The EU Common Energy Policy set the benchmark: aiming to create a European energy network and become resource independent the EU may gain a new status and become a relevant geopolitical player on the market. This comprehensive model would ensure the coordination to manage resources and handle incoming challenges. The US have been promoting a more aggressive approach. Following the invasion of Iraq and Afghanistan the US are now reaching for a tech-revolution: shale-gas. This resource, which technological updates able us to explore it has significant "side-effects" to the environment: highly efficient, although exploring it is equally polluting. The BRICS represent both supply and demand. Although Russia and Brazil (to a rising extent) are energy powerhouses, India and China are still highly dependent on energy imports. One participant exposed the Durban Declaration as groundbreaking shift in practice in South-South cooperation and a clear "africanization" of the BRICS agenda. The repercussions of this trend would be discussed later.

Having identified the players the panel set to explore the competing trends of energy security policies. One participant discoursed over the two main ones: the nationalist/conflictive approach which promotes the extraction of energy resources independent of gas emissions or greenhouse gases and push for an anarchic competition for energy resources on global commons; and the cooperative/global governance approach which stands for a common agenda on energy security in convergence with mitigation of climate change. The panel agreed on the cooperative agenda and set to determine the foundations of a possible G20

agreement. The G20 has the potential to become the main structure for building up very needed global governance in all dimensions: economy, security, energy and climate. One participant advocated for G20 countries to sign an agreement that promote de-carbonization of their respective economies in correspondence with their per capita income (affluence), the share of global carbon emissions (relevance) and their per capita carbon emissions (intensity of their use of carbon). Also agreeing to sign a strong commitment for banning all the subsidies on fossil fuels, with some gradualism among the poorest countries. He went on saying that the G20 countries should also agree to turn flexible the intellectual property rights, based in their dominion of clean technologies:

- United States, European Union, Japan and China (plus Taiwan) should transfer on wind and solar;
- United States and European Union (+plus Norway) should transfer on Carbon Capture and Storage;
- United States, European Union and Brazil should transfer on bio-fuels;
- United States and France should transfer on last generation nuclear energy technology.

An initiative for a Global Fund for financing the research and initial deployment of new clean technologies should also be considered by the G20. Further recommendations went towards the increase of the proportion of natural gas in the global energy matrix and the stabilization of the oil proportion, until the middle of the century. Greater emphasis should be given to renewable energy - hydro, solar, wind, biomass, wave, geothermal. The nuclear option was also discussed but no consensus was reached.

### **A common Euro-BRICS agenda to coordinate policies within Africa**

Thanks to high commodity prices and high oil exports, Africa's economy has been growing at 5% a year abling a huge investment towards infrastructure as population is growing at a faster rate than any other continent. With some of the world's largest reserves of oil, gas and minerals, it becomes imperative to assist African governments to avoid the "resource curse" and shift from a national resources exploitation policy to a long-term growth cooperation. The pressure on these countries to supply increasingly demanding economies, such as the BRICS, is setting the pace for a major crumble for Africa's raw materials as a whole.

So despite whatever interests towards Africa it was agreed by the panel that it is necessary to shift the rationale and begin developing agendas, which do not only protect the "money" but also encompass African economy towards a sustainable growth. With this framework in mind we set out to identify investors and their policy towards their suppliers.

It becomes crucial to African future to coordinate economic growth with social and economic development. The resource revenue has been growing as fast as the demand for more resources. One participant added that such model of economy must be coordinated with social and economic development policies as to avoid a jobless growth situation where corruption takes most of the revenue, creating conflict situations. Such policy will surely scare off any foreign investment and will delay Africa's development. He continued by advocating for a long-term sustainable growth policy where governments deploy their best efforts to control corruption and make the system transparent and appealing to foreign capital. Such policy would go towards rising up on the World Bank ranking of "Ease of doing business", the Transparency International Corruption Perception and the Global Competitiveness Index.

As mentioned before, the BRICS have a dual stance on the issue as they put together suppliers and demanders of energy and raw materials. There are several agreements between each BRICS nation and African counterparts: Forum China-Africa (2000); IBSA (2003); New Asian-African Strategic Partnership (2005) and the India-Africa Forum (2008). As for the European side, 10 strategic FTA's were signed over the years and several policies were designed to assist African nations: the Joint Africa-EU strategic orientations (2007) being the latest one which aims for regional economic integration, sustainable use of energy resources and investments on infrastructure. It was noted by the participants that the EU's pursuit for FTA's has been undermining multilateralism, crippling any coordinated effort.

The African liberation began with the Lagos Agenda in 1980, it has since then struggled to overcome corruption and correct the mistakes of the WB and IMF on the region. The nationalisation of resources and the import substitution, and the re-appraisal of exploitation rights have allowed for hope and growth - it took Africa only one generation to resume GDP to levels before the 90's! - but as there are still cases of abuse and inequality it is important to change rationale from these resource rich economies to innovation based ones, before it is too late!

Within this framework, the participants agreed on the need for a EU-BRICS cooperation platform. Other than competitors for resources, a joint initiative would prove to be the path to sustainability, stability and democratic progress. The Durban Declaration following the BRICS summit in April '13 has pushed for an Africanization of the BRICS Agenda. The participants urged the EU to support this initiative, as the commodities super-cycle reaches its end (shale-gas revolution?) it will be vital to support African nations with foreign direct investment (development) rather than overseas development assistance (aid). This change in rationale would truly recognize Africa not as a pumping station for resources but as a partner in the world of the 21st century.

## **Reform of the international forum and the path to a stronger Global Governance**

The crisis of legitimacy faced by the institutions of the global governance system set up after 1945 is resulting in the collapse of the old framework of international cooperation, with apparently nothing ready to replace it, besides a myriad of more or less successful regional integration projects. The supra-national regional entities that are currently being forged, created in a context of increasing emergency, are indeed the building blocks of tomorrow's multipolar world. These integration processes are certainly a necessary step, but without a new "global" governance framework, capable of harmoniously combining these new components, conflicts of interest will soon oppose them and will quickly lead the world into the logic that prevailed in Europe in the late nineteenth century and the first half of the twentieth century.

Today everyone can see these tensions mounting between blocks on the themes of access to commodities, trade, currencies,.. putting high pressure on the fragile world peace and endangering the impressive development of emerging powers and the long period of prosperity of Western powers.

The next G20 to be held in Moscow in September is the next opportunity that the world gives itself to find solutions to the growing difficulties facing its equilibrium. But time is running out...

Throughout the seminar, participants repeatedly stated that “the US dollar and the United States’ economy were no longer able to be the pillars of economic, financial and monetary world order” and it was a matter of “creating an international reserve currency (which could be called the Global) based on a basket of currencies matching the world’s major economies”.

Also, participants urged for creating the conditions for the initiation of such a reform: the G20’s identification, amongst all international bodies, as the appropriate platform; targeting the G20 as the most likely to adopt “courageous” agendas (those welcomed outside the western zone especially); launch of a strategic rapprochement programme between the Eurozone and the BRICS with the aim in particular of creating the conditions for a new decisional balance at the core of the G20, etc. However, between 2010 and 2013, the global governance bodies’ collapse in credibility in solving/preventing crises has only strengthened and the G20 itself appears increasingly less relevant as a launching pad for fundamental change: even if the direction initiated in this context gives some hope, the speed of change is too slow compared to the crisis’.

Thus the Moscow seminar has enabled the mark of a turning point for the Euro-BRICS project. Throughout the discussions the question has been: are the institutions of global governance, theoretically in charge of managing the crisis affecting the world for the last five years, structurally capable of undertaking the necessary reforms to create the conditions for an improvement in their effectiveness?

Throughout the two days of discussions, this nagging question had two highlights. First of all when it appeared that China, a major champion of international monetary system reform since 2009, but still remaining in favour of such a solution still considered as the “ideal solution” had, in fact, withdrawn from the battlefield to focus on its strategy of bilateral swap agreements, a strategy having, of course, the major advantage of giving it free rein. Rather than tilting at windmills to get a proper reform depending on the agreement of powers who don’t want to go in this direction, China has therefore opted for an off-topic strategy towards a monetary organisation which is less good, less comprehensive, but realistic.

The other point concerns the famous reform of the UN Security Council, global governance’s holy of holies inherited from the aftermath of the Second World War, a debate on in the national institutions’ reform which won’t go away. In response to the question “can the UN Security Council be reformed?” everyone finally agreed that the answer was “no”. Worse: it is less likely today than in the past. For example, the virtuous effect of creating an EU seat instead of British and French seats on an overhaul of the number and distribution of seats seems today, when the United Kingdom is planning more seriously to leave the EU, much more difficult to achieve than in the past... and in fact impossible.

The third point concerns international institutions’ structural obsolescence: in the age of the Internet, remote working, hyper-mobility,... the heavy industry of yesterday’s centralised global government based on clustering tens of thousands of civil servants in huge buildings, is de facto completely outdated and inadequate to meet the challenges of the governance made eminently more complex than 80 years ago due to its multipolar character especially. Supple, quick-acting, flexible, multi-faceted, light, will be the key words for the world governance and international institutions of tomorrow, even if the Security Council opened its doors to Brazil or India, it will struggle to adapt to these new constraints.

These considerations have led to splitting the Euro-BRICS’ objective into two:

- first, the Euro-BRICS project will continue to produce thoughts on possible reforms and ways to implement them for the G20/Euro-BRICS leaders’ benefit
- but on the other hand, the Euro-BRICS project opens up a whole new area for action/thought based on the idea that the partnership between the Eurozone and the BRICS can serve as a template for a new global governance.

In both cases, getting a Euro-BRICS Summit between now and 2014 is considered key, towards which LEAP, in partnership with the MGIMO and the core of the Euro-BRICS network built up over these four seminars, intends to use much of its energy.

## **The Euro-BRICS as the matrix for a new world governance**

This concept of a matrix for a renewed global governance is fruitful. By way of proof, apply it to monetary reform. Rather than calling for the creation of a global currency with no discretion to impose it, create a Euro-BRICS currency (or even just an index) between Europeans and the BRICS based on our six currencies (Euro, Rand, Real, Renminbi, Rupee, Rouble) coordinated by a Euro-BRICS monetary secretariat. This flexible currency/index, could be used by those economic players who so wish. A currency/index which upsets no one but which could quickly prove its stabilising power. This template currency/index could be designed from the outset as able to be expanded to other currencies following strict conditions and being designed to be transformed in due course, if it proved its usefulness, into a global currency.

As regards trade, one could imagine the creation of a Euro-BRICS trade facilitation secretariat and avoid the rat of a free exchange partnership which nobody wants and yet continues to be imposed in the ordinary course of globalisation. In terms of energy, a Euro-BRICS framework agreement inspired by the ECSC could be negotiated. Etc.

These few practical steps allow one to see that the Euro-BRICS partnership can provide a space for combined decision-making freedom in a huge area for truly effective action for the construction of a new framework of global governance. The Euro-BRICS aren't the whole world but they make up a not-insignificant part by their demographic numbers, their close fit with each other, their diversity, their common interests and destiny, the areas for exchange and the flows they represent – it's not the BRICS alone and even less so the Eurozone alone. The Euro-BRICS can therefore be the laboratory of a new global governance, quickly transforming decisions into action which the institutions of the 20th century are no longer capable of doing-establishing themselves solely by the effectiveness of their solutions in contrast to the do-nothing attitude prevailing elsewhere.

A matrix of this type is able to lead the world towards a model of modern governance, supple, capable of integrating the vast diversity of national and supranational entities which have covered the world these last few decades, a decentralised model running on the basis of all these entities being connected with each other ad hoc via simple secretariats or agile authorities coordinating a particular subject, a multi-faceted networking of all of the new pillars of today's world.

P. Simoes, B. de Sonis, M.H. Caillol

*This document is the sole responsibility of LEAP2020*

## List of participants

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