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REVIEW

Opportunities and Risk Assessment of BRICs New Development Bank*—— New Big Powers Coordination Perspective

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ABSTRACT

Under the background of counter economic globalization, the Group of Twenty (G20) has become the primary platform for the east and west powers to seek consultation and dialogue. And the coordination mechanism of the new global powers has come into being slowly. As a multilateral regional bank, the BRICsBank takes the interests of developing countries as the leading factor. Based on international economic cooperation ground, it will broaden the South-South cooperation to create more convenient conditions for foreign direct investment, as well as bilateral and multilateral financial cooperation. From new power coordination perspective, with global economy governance structure transformation as the starting point, this research accurately defines the concept of coordination mechanism, systematically analyzes the evolution of global economic governance structure, intensively interprets the current characteristics of big power coordination mode in global economic governance structure, and objective assesses trends of global political and economic pattern. It is of important policy reference implications for the BRICS member countries to effectively promote the BRICs Bank institutionalization and global governance of new power coordination nature.

1. Introduction

The global economic governance structure is a relationship structure formed by the interaction of state actors in international economic activities, especially the result and state of power distribution of state actors, which shapes the interaction mode among state actors. This interaction takes the coordination of national interests as the core. The big countries are often in the central zone of the whole international relations structure, while the small countries are more often in the periphery of power structure, thus the mode of interaction between countries shaped by global economic governance structure is mainly a mode of coordination among big powers. With the continuous change of the strength comparison among the national actors, their position in the global economic structure has also changed, and the coordination model of the big powers has also shown multi-form changes in the evolution of the global economic governance structure. In order to avoid financial risks such as currency market

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shocks caused by the financial tsunami in the 21st century, the BRICS Leaders Summit in 2012 proposed the establishment of BRICS Development Bank to build a financial safety net. In 2014, BRICS countries formally signed the Agreement for the Establishment of the BRICS New Development Bank. In July 2015, the BRICS New Development Bank (BRICS) was established, which was the first major cooperation project of BRICS mechanism since its establishment[1]. It also marked the formal beginning of the institutionalization of BRICS. In 2016, the New Development Bank approved seven projects from five member countries, mainly in the fields of green energy and transportation, with a scale of 1.5 billion US dollars. It was expected to promote more foreign investment into BRICS countries in the future. Since the concept of BRICS Bank was put forward, most academics have analyzed the opportunities and challenges faced by BRICS Bank from the purpose of its establishment, under the background of the huge shortage of funds for global infrastructure construction. However, few scholars have studied the mission of BRICS regional development banks to improve the stability of the existing international financial system from the perspective of global economic governance. The BRICS website clearly describes itself as an "alternative for US-led mechanism between the World Bank and the International Monetary Fund" designed to address the infrastructure and sustainable development needs of emerging economies. At the same time, both the World Bank and the Asian Development Bank have expressed their expectations for cooperation with BRICS. With global economy governance structure transformation as the starting point, this research makes opportunities and risks analysis of the BRICs Bank from new power coordination perspective, accurately defining the concept of coordination mechanism, systematically analyzing the evolution of global economic governance structure, intensively interpreting the current characteristics of big power coordination mode in global economic governance structure, and objectively assessing trends of global political and economic pattern[2]. Qualitative analyzing approach under international political economy theoretical logic is the main methodology of the whole research. The findings and contributions are of particular policy reference implications for the five countries to effectively promote the BRICs Bank institutionalization and global governance of new power coordination nature.

2. The Definition of Coordination Mode of Great Powers

Coordination mode of great powers refers to an international relations mechanism in which great powers make decisions through meetings and deal with international political and economic conflicts and crises in accordance with common rules such as consensus, responsibility and intervention. The big countries are often in the central zone of the whole international relations structure, while the small countries are more often in the periphery of power structure, thus the mode of interaction between countries shaped by global economic governance structure is mainly a mode of coordination among big powers. With the changing of the times background, there are continuous changes of the strength comparison among the national actors, and their positions in the global economic structure has also changed.

2.1. Bretton Woods System: Coordination Monopoly Model of Great Powers

The absolute advantage of the United States in the world economy began in the period of World War II and steadily became the unique hegemony of the international order. Since then, the coordination model of global powers has existed in the form of unipolar monopoly. Based on the profound reflection on the impact of the Great Depression and the two world wars, the United States established the basic framework of post-war global economic governance, the Bretton Woods system, by virtue of its hegemonic position[3]. Since the beginning of economic globalization, the world economy has gradually entered the process of integration. The Bretton Woods system is a gold exchange standard based mechanism on the US dollar and gold, with US dollar accordingly ascending the leading position in the international monetary system. The U.S. government declared that it will fulfill its obligation of converting US dollars into gold. The coordination mode of the major global governing powers in this period is mainly embodied in the monopoly mode.

2.2. G7 Age: Club-style Coordination Model of Great Powers

With the rise of Japan and Western Europe in the 1970s and the relative weakness of the US economy, the large fluctuation of the US dollar exchange rate eventually led to the disintegration of the Bretton Woods system. The inefficiency of the traditional mechanisms of IMF global governance was highlighted, and the multilateral trade negotiations of GATT became increasingly difficult. The establishment of G7 symbolizes the evolution of the coordination model of major powers in global economic governance from the monopoly model dominated by the United States to that of big powers in group clubs. The

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coordination efficiency of Western macroeconomic policies and global monetary, financial, trade and exchange rate cooperation thus has been greatly improved[4]. G7 implements the club-like coordination model of "soft system" to replace the "hard system" monopoly model of the United States. The global economic governance structure gradually presents the club-like coordination model of big powers. However, G7 is still an informal governance mechanism for Western powers to maintain world economic stability, with the skewness of the distribution of international interests between the East and the West becoming increasingly apparent.

2.3. G20 Era: a New Coordination Model of Great Powers

The outbreak of the Asian financial crisis made the G7 realize that the stable development of the world economy urgently needs new coordination and cooperation between developed and emerging powers. As another informal global governance mechanism of the Bretton Woods system, the G20 is an excellent platform for consultation and dialogue between Western and emerging powers in the context of deepening economic globalization. The G20 aims to promote consultation and cooperation in various fields of international economy and promote the balanced evolution of global economic governance structure. However, ten years after its establishment, global economic governance was still dominated by the G7-centered Western powers, which operated through informal dialogue and consultation between finance ministers and central bank governors, and did not play the expected role of global economic governance[5].

Since the 21st century, the group rise of emerging economies has rewritten the international power contrast between the East and the West, which directly promotes the substantive transformation of the world economic structure. The rise of emerging market countries not only has an impact on the global economic structure in terms of economic aggregate, but also has a substantial impact on global economic governance in terms of institutional structure. In order to cope with this indisputable fact in time, developed countries have taken the initiative to incorporate large developing countries into the framework of global governance in line with their economic interests. They can not only share in their growth dividends, but also control the way and speed of their economic growth to a certain extent, thus maintaining the dominant position of the West in global economic governance.

The 2008 financial tsunami made the coordination model of G7 Club powers no longer able to meet the realistic requirements of global economic governance. Developed countries could not unilaterally control and deal with such a serious and rapid global economic problem. The once marginalized G20 has quickly stepped onto the stage of global economic governance and effectively mitigated the spread of the crisis. Different from the former club-style big country coordination mode dominated by western big powers, this has prompted a new type of big country coordination governance mode to begin to play its due role. This new coordination model ensures that emerging and developed powers share a relatively equal position in the global economic governance structure, thus forming a global multilateral network to co-govern the world economy.

3. Construction of BRICS Bank Mechanism

3.1. Construction of Ideological Mechanism

Since its inception, BRICS has been adhering to the pioneering spirit of "equality" as the core and "mutual benefit" and "innovation". Specifically, "equality" means that the initial subscription capital of BRICS is funded equally by five countries, and all countries share the right to vote (20 percent). No one country has the right to veto. It is the first time in the history of the construction of the international financial organization that all countries have an equal dialogue under the multilateral mechanism regardless of their economic development. The promotion of spirit of equality, i.e. the adoption of affirmative decision-making mechanism, is a compromise solution to seek common ground while reserving differences in a sense, because there are not only common interests and motives for cooperation among member countries, but also conflicts of interest and differences of opinion that hinder cooperation[Ji Xiaoqing and Qiao Yue, "Equal Decision-Making Mechanism of BRICS Bank: Efficiency Loss and Its Improvement", Shanghai Finance, No. 2, 2017]. "Mutual benefit" refers to the phenomenon that BRICS banks avoid traditional developed countries forcing recipient countries to reform by imposing harsh conditions by reducing political interference and realizing commercialization. The implementation of the concept of "mutual benefit" is based on the spirit of "equality" and the non-humanitarian act of providing economic assistance on the condition of contracting the recipient country's economy to solve the abuse of Monetary Approach by some developed countries[6]. "Innovation" is a feature that BRICS has been emphasizing: it embodies in the unique BRICS economic alliance, the implementation of the affirmative decision-making mechanism, and also in the way of opposing "top-down, aid-recipient" and the needs of recipient countries as the basis of aid.

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3.2. Mechanism Problems and Solutions

Firstly, the problem of the affirmative mechanism equity and efficiency. It is clear that the adoption of the affirmative power mechanism is based on avoiding polarization caused by the "strong economy" in other contemporary international financial organizations and reducing the "tunnel effect" of harming others and self-interest. However, there will be the fairness issue of "the same to earn more and earn less" and the efficiency issue of "being divided too much and difficult to make decisions". The issue of equity is reflected in the fact that the "rotating presidency" adopted to achieve affirmative decision-making may make the BRICS banking policy periodic. On the issue of efficiency, Dr. Ji Xiaoqing and Dr. Qiaoyue have pointed out in Brick Bank's Equitable Decision-making Mechanism: Efficiency Loss and its Improvement that "BRIC Bank will be seriously restricted by the heterogeneity of economic development and policy orientation in BRIC Group member countries." The essence of the problem is "non-political", that is, whether BRICS can really get rid of the political interference and "commerciality" of member countries, that is, whether BRICS can achieve real benefit-driven and risk-averse[7]. In this regard, the co-presidents of the five countries or the economic authority of other countries can be selected as non-stakeholders to participate in decision-making, transparency of BRICS annual statistical statements and public supervision of decision-making to help equity; as far as possible, to ensure that the representatives of member countries are singular, in extreme cases, the growth retains a veto power, and employees are paid on the basis of performance or on the basis of starting salary. Bonus and other mechanisms to ensure efficiency. In a word, the realization of fairness and efficiency depends on continuing to implement the concept of "mutual assistance" and combining the concept of "innovation" to create the most "commercial" policy bank in the BRICS system by breaking the traditional innovation mechanism.

Secondly, the problem of BRICS countries'competitiveness in resource allocation. As the main function of BRICS Bank is to provide financing for infrastructure construction and sustainable development for member countries and other countries, the competition of resources has an important impact on the development of BRICS Bank's existing functions. The problem of resource competition is essentially caused by huge demand for resources and defective allocation mechanism (voting rights). And primary energy demand is also the root cause of the latter, so the former is only discussed here. This issue concerns the economic structure of BRICS countries. The economic growth of BRICS countries, to a certain extent, is also an extensive economic growth mode, driven by high capital, high resources, high energy and high labor input. On the one hand, there are realistic reasons for this phenomenon, that is, the development based on the comparative advantages of resources and labor force[8]. On the other hand, in the decision-making level of choosing the development path, excessive pursuit of growth rate, focus on rapid expansion of quantity and neglect the improvement of economic efficiency and quality. Therefore, the extensive economy directly increases the resource demand of member countries, which leads to the problem of resource competition, intensifies internal contradictions and even threatens the sustainability of cooperation mechanism. Thus, it is feasible and necessary to change the mode of economic development, such as tilting towards the tertiary industry or implementing "supply-side reform" or developing alternative energy sources (in line with the concept of "decarbonization"). These measures aim to solve the problem of competitiveness from the root by reducing the growth rate of fossil energy demand.

Subsequently, the problem of mechanism construction prospect. As China's "Belt and Road" initiative is advancing, the cooperation between the countries along the border and China is becoming more and more closely related. Its practical interests, such as infrastructure construction, will have a huge impact on the strategic layout. Therefore, it is not possible to exclude the possibility of cooperation between other countries and BRICs banks. However, under the existing system, "BRICS countries shall inject not less than 55 percent of capital" is not conducive to long-term fairness and commercialization. As a holding group of BRICS countries, it is difficult for BRICS banks to achieve commercialization. This may need to be considered in terms of changing existing charters or increasing BRICS membership.

4. Opportunities and Challenges of BRICS Bank from the Perspective of New Big Countries

4.1. Opportunities implied by BRICS Bank

4.1.1. Multilateral Cooperation in Emerging Economies

BRICS is a breakthrough challenge for BRICS countries to the Bretton Woods institutions. Its intention is to build an international financial system dominated by emerging economies outside the World Bank, which not only heralds a more substantive stage of development in BRICS

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cooperation, but also helps to build a more diversified international monetary system, reduce over-reliance on the US dollar as a global reserve currency, and improve the ability of countries to resist potential financial risks. The first BRICS Leaders Summit was held in 2009, which rekindled the high expectation of the international community for "South-South cooperation", and the long-term monopoly of multilateral banking territories by developed countries was finally broken. The BRICS Bank focuses on long-term development financing and provides financial support for infrastructure construction and sustainable development in BRICS countries and other emerging economies[9]. At the same time, the BRICS Emergency Foreign Exchange Reserve Fund was established to maintain financial stability and provide short-term liquidity support when member countries are facing balance of payments pressures. Both mechanisms are self-service financial system arrangements for emerging economies, providing financial public goods services to regions and even the world, paying particular attention to financial security, and avoiding the failure of traditional economic governance mechanisms at some points. From 2003 to 2012, the volume of inter-BRICS trade increased rapidly from 36.5 to 310 billion US dollars, significantly faster than the growth of inter-regional trade in other parts of the world. Grigoriev, a professor in the Department of World Economy and International Politics at the Russian Academy of Higher Economics, believes that BRICS members are now entering a critical stage of economic restructuring and need adequate financial support in the search for a new growth model. BRICS is an important financing platform for BRICS countries, a think tank to solve specific development problems, and an important tool to stimulate economic growth.

At the same time, global capital outflows from BRICS countries has increased from 1 percent to 10 percent, becoming an important source of global investment funds. BRICS banks are more conducive to the use of local currency for trade and investment settlement between BRICS countries and emerging economies, reducing the risks implied in the US dollar, Euro and Yen as settlement currencies, saving transaction costs, promoting inter-country capital flows, trade exchanges and internationalization of local currencies, and opening up new channels for foreign non-direct investment to enter BRICS countries. BRICS has greatly broadened the path of South-South cooperation, creating more convenient conditions for transnational direct investment, bilateral and multilateral financial cooperation. The main difference between BRICS and other international financial institutions is that BRICS is based on the interests of developing countries, and its beneficiaries are not limited to five founding member countries, nor to some countries or regions, but to the platform of economic and trade cooperation among developing countries and the useful complement of existing international financial institutions[10]. Russian President Vladimir Putin has said that the BRICS Bank and the foreign exchange reserve pool will effectively strengthen the construction of the international financial system and make it more equitable and perfect.

4.1.2. The Construction of RMB Internationalization Geo-strategy

The RMB internationalization is the gradual process in which RMB exerts its functions of value storage, trading medium and accounting unit in the international scope. The establishment of BRICS Bank provides a rare opportunity for the internationalization of RMB. Firstly, BRICS has broadened the space for RMB to be incorporated into global official reserves, and will further make the value storage function of RMB fully play and improve its international reserve status. As of September 2014, the People's Bank of China has signed currency swap agreements with monetary authorities in 25 countries and regions, with a total size of 2728.2 billion yuan. Currency swap agreement is a prudent way for China to provide liquidity support to local areas. It will not only help the bilateral trade and investment development of RMB valuation and settlement, but also enhance the function of RMB official international reserve. Unlike general commercial banks, BRICS does not absorb any commercial deposits and operates solely on sovereign credit. In the initial stage, BRICS only invests as capital to provide development assistance funds for member countries and other emerging economies. But in the medium and long term, BRICS will need to raise funds on a large scale or issue bonds and other derivatives denominated in RMB in financial markets to allocate RMB assets to international investors, including governments, so as to promote the overall process of RMB internationalization. The World Bank welcomes the establishment of the BRICS Bank because its resource allocation and export-oriented concept complement the strategic objectives of the World Bank.

Secondly, the potential of capital export implied in the establishment of BRICS Bank also helps to promote the process of RMB internationalization. BRICS countries and emerging economies have abundant natural resource reserves, total population and huge market potential. However, constrained by weak infrastructure conditions, economic growth in many countries is still low. The BRICS Bank focuses on infrastructure construction in

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BRICS countries and other emerging economies[11]. Infrastructure gaps in Brazil, South Africa, Russia and India are huge and need to cooperate with overseas funds when national financial resources are not available. BRICS not only targets five BRICS countries, but also provides loans for infrastructure projects in all emerging economies to promote corresponding sustainable economic growth. China has sufficient foreign exchange reserves, and has rich experience and advantages in infrastructure construction. In the next few years, infrastructure projects jointly built by China and other BRICS countries will include the Liangyang Railway, which links the soybean production areas in central and Western Brazil, and the Beijing-Moscow high-speed railway project. At the same time, the demand for foreign financing in the fields of mining investment in Africa is also growing. BRICS will create opportunities for in-depth cooperation between China and Africa. The prospect of RMB as a financing currency for infrastructure projects in emerging economies is very broad. As a result, the capital export of BRICS Bank naturally becomes another driving force to promote the internationalization of RMB.

Thirdly, BRICS Bank can greatly promote the regional settlement and circulation of China's local currency. The billing unit and trading media functions of RMB in regional trade and investment can further expand the payment and settlement scope of RMB in international trade and financial transactions, and further promote the internationalization of RMB. Traditional import and export trade often need to be converted into international currencies such as the United States dollar for payment. The major international settlement currencies such as the US dollar, the euro and the Japanese yen fluctuate frequently in recent years. On the one hand, emerging economies face the risk of exchange rate changes directly; on the other hand, they have to bear various currency liquidation risks such as credit risk. Trade between BRICS countries is becoming more and more frequent. China has become the main trading partner of other BRICS countries[12]. Brazil and Russia are the ninth and tenth largest trading partners of China respectively. They are also important sources of energy and raw materials imports for China. International oil, iron ore and other commodities are currently mainly denominated in US dollars. If denominated in RMB, the risk of exchange between the two sides of the trade will be greatly reduced.

4.1.3. The Compatible Logic of the Rise of Great Powers under the Initiative of "Belt and Road"

The purpose of the BRIC bank is to provide support for the transport, energy and other infrastructure and sustainable development in developing countries. It is not only consistent with the infrastructure strategy of the countries along the belt, but also is committed to diversified investment and financing strategies, giving priority to the use of financing channels such as the local debt market of Member States, and releasing the savings and potential infrastructure of high savings countries such as China, and the demand to develop investment projects with stable profitability and public spillover effect. China, Russia, South Africa, India and other BRICs bank shareholders are all important economies along the belt. In the future, they will adopt the fund-raising strategy of the hard currency of international capital markets and the local market of member countries. The feasibility of local financing and the development of local capital markets is being studied. Local efficient and low-cost financing can effectively reduce the money and capital markets of developed countries. Over-reliance will enhance the asset pricing, trading and media functions of emerging economies'currencies.

Given the relative stability of RMB and its high international trade and investment liquidity, BRIC plans to issue the first issue of RMB bonds in the first half of next year to promote the internationalization of RMB. At the same time, in order to improve the liquidity of BRICs bond trading and money market, the Central Bank of BRIC is preparing to sign a double multilateral local swap agreement to promote the development of the interest rate market in the countries concerned and reduce the cost of related currency swap, so as to provide diversified choices for emerging market countries and the countries along the "Belt and Road". The trans century "Belt and Road" initiative covers areas like Asia, Africa and Europe. Many countries along the border are developing countries. It is one of the regions with the greatest potential for Global trade and cross border investment growth[13]. The high cost of logistics and technology transfer is a major economic constraint at present. "Belt and Road" will greatly promote the development of local manufacturing, transportation and other infrastructure. Geoeconomic integration and the rise of the voice of emerging economies in global governance provide a source of impetus. Christopher Wood, a researcher at the South African Institute of International Studies, believes that BRICS was founded faster than many expected. As BRICS leaders have decided to set up a Regional Centre for Africa in South Africa, the BRICS Bank will bring a large shortage of funds for infrastructure construction in Africa. BRICS will not impose any political conditions on its financing. In the future, it will form a complementary relationship with the Asian Investment Bank and

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effectively promote the development of the international financial system in a truly just and inclusive way.

Financial support is an essential guarantee for the "Belt and Road" infrastructure construction. In terms of macroeconomic fundamentals, the savings rate of residents in China (including Hong Kong) is about 50 percent, and the GDP share of the savings rate ranks the top in the world. With the targeted reduction of the People's Bank of China at the end of September 2017, the interbank lending rates in Hong Kong and Shanghai financial centres show a downward trend. High savings rate and low interest rate, combined with excess domestic industrial capacity and low return on capital and other factors, will jointly promote the urgent need for the financial system and RMB to "go out". In sharp contrast, most of the "Belt and Road" countries have low domestic savings rates and high basic interest rates along the way, which seriously lack the accumulation of corresponding long-term construction funds. Various financial institutions and enterprises in China, Shanghai and Hong Kong can not only invest a large amount of available funds in the "one belt" infrastructure and industrial construction through diversified investment and financing channels, but also effectively enhance the return on investment of domestic funds.

4.2. Challenges faced by BRICS Bank

Good governance structure is the mechanism basis for multilateral development banks to stabilize their business. Unlike the existing multilateral development financial institutions, which are led by a big country, the initial subscribed capital of BRICS is distributed equally among the five founding countries, and no country has institutional dominance. Although this governance structure design is a kind of institutional innovation and experiment, it is essentially the product of compromise after fierce competition within BRICS countries. Under the different conditions of BRICS countries'interest demands, although this governance structure fully respects the wishes of all participants, the actual effect of BRICS banks' operation remains to be observed due to the institutional differences and resource endowment limitations of BRICS countries.

First, the economic base on which BRICS countries rely for financial cooperation remains fragile. The financial cooperation of EU members has proved that the degree of regional financial cooperation or financial integration depends fundamentally on the degree of regional economic integration, while BRICS countries can not be very close in their geoeconomic structure. In terms of geospatial distribution, BRICS countries span four continents: Asia, Africa, Europe and Latin America. Most of their economic growth relies on the extension model rather than the connotation model. The unbalanced economic structure makes the economic development lack of sustainable motive force. In addition, because the economies of all countries are in the similar developed stage, there are still some limitations in cooperation and complementarity. BRICS has not yet made significant changes in infrastructure investment. Most of the current investment plans are financed by Chinese banks. BRICS may provide development and infrastructure funding for Africa, but it is not yet able to assert its ultimate direction of development, nor can it guarantee that it will always put aid to Africa in the first place[14].

Secondly, the financial system development of BRICS countries is still unbalanced at this stage. The low efficiency of financial operation makes it difficult to realize the optimal allocation of financial resources, which seriously hinders the deepening of financial cooperation among BRICS countries. BRICS's development model can operate effectively only when it has the freedom to decide project investment, or at least the decision space under the long-term development framework. Former chairman of the Asian Development Fund of the Asian Development Bank, John McAuley, said that BRICS banks must lend on a suitable scale with as few political purposes as possible in order to grow in the long run. Although there are many modes of operation of international financial institutions that can be used for reference, BRICS is different from other financial institutions in many aspects. It is necessary for BRICS to continue to explore and move forward in international financial practice.

Third, there are still complex conflicts of interest among BRICS countries. BRICS countries have similar development stages and modes. Their external dependence is generally high. They are mostly at the low end of the value chain of international industrial division. Export-dependent economic growth and even trade protectionism often breed internal competition and conflict of interests. China's cheap labor force and relatively high production efficiency make its products have obvious price advantages in the Brazilian market, which has repeatedly attracted the Brazilian government's anti-dumping investigations.

Fourth, the comparative advantages and comprehensive national strengths of BRICS countries are not equal. The similar economic strength, resource endowment advantages and political system among member countries are the foundation for the stable development and long-term stability of any organization. BRICS Group does not yet have the basic conditions of comprehensive eco-

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nomic and political cooperation, in which China's economic status is particularly special, and its total economic output is far above the other four countries, making it always have a wary and competitive attitude towards the dominance of China's economy.

Because of the non-profit nature of multilateral development banks, raising funds at a lower cost is a necessary prerequisite for the normal operation of BRICS. An important condition for low-cost financing is to obtain a high credit rating. At present, the major international rating agencies provide supra-sovereign rating services for multilateral development banks, which are composed of the internal financial situation of multilateral development banks and the support of external shareholders. Compared with other well-known multilateral development banks, the paid-in capital of BRICS Bank is relatively high[15]. The ratio of paid-in capital to pending capital is 20 percent, and the paid-in capital totals 10 billion US dollars. A higher proportion of paid-in capital is conducive to BRICS's higher credit rating. However, at present, the sovereign credit rating of BRICS countries is below AAA. China's credit rating is "AA-" and other member countries are between "BBB-" and "BBB+", which makes the credit rating of major shareholders and shareholders based on equity weighting on the whole low, thus adversely affecting the credit rating of BRICS banks.

Compared with other major multilateral development banks, BRICS still lacks the participation of developed economies with higher credit rating. Moreover, according to the existing international rating methods, if the members of multilateral development banks are also borrowers at the same time, the robustness of multilateral development banks will be reduced in the case of "conflict of interest". The operation mechanism of BRICS Group has this characteristic, that is, member countries are both BRICS shareholders and borrowers, so it will have a negative impact on the credit rating of BRICS Bank. How to improve the credit rating and reduce the financing cost is a structural strategic demand for the sustainable operation of BRICS. Therefore, compared with the World Bank or the International Monetary Fund, BRICS banks do not deliberately consider social interests in terms of lending. The unique implication of the BRICS mechanism is that the economic and political power of emerging market countries is rising as a whole, and that they have escalated into contributors rather than relying heavily on financial assistance from global financial institutions.

Multilateral development banks such as the World Bank and the Asian Development Bank usually aim at poverty alleviation and development. In contrast, BRICS and ADB pay more attention to infrastructure investment. Infrastructure investment is characterized by huge sunk cost, long recovery cycle and irregular cash flow. Therefore, compared with general industry investment, the risk coefficient of infrastructure investment is higher. The BRICS Bank has diversified the role of world financial governance. Its birth is the first entity institution established under the framework of the BRICS Informal Conference. It is also a rational response and realistic choice of emerging economies to the absence of IMF reform. As a result, BRICS is regarded by some countries as a potential competitor of the World Bank and the International Monetary Fund. Lou Jiwei, former Minister of Finance of China, once said that BRICS is not a positive challenge to the existing international financial system. Historically, institutions such as the Asian Development Bank and the European Bank for Reconstruction and Development did not weaken the status of the World Bank, but promoted the financial system at that time. BRICS is a complement to, rather than a substitute for, existing financial institutions in the public or private sectors. It will not only significantly enhance the voice of emerging economies within the framework of international financial development, but also provide additional support for the economic construction of developing countries.

5. Conclusion

BRICS can not only effectively promote the reform of global economic governance and complement the shortcomings and blind spots of the existing system, but also complement the reform of the supply side of China's economy. In addition, the establishment and operation of the emergency reserve fund will promote infrastructure construction and sustainable economic development in emerging markets and developing countries, as well as better guard against geo-financial risks and maintain global financial stability. It is of great significance and can greatly enhance the position and voice of developing countries in the global governance system and the international financial system. BRICS, the Emergency Reserve Fund and the China-led Asian Investment Bank are the most favourable counterattacks by BRICS countries against the delay of IMF reform in the West. Although any issues related to short-term currency circulation remain unresolved, BRICS is more likely than the Emergency Reserve Fund to put pressure on IMF reform. Over the next 10 to 20 years, BRICS will also substantially reduce social inequality, widespread corruption, education and environmental problems, which will not only contribute to

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the long-term economic stability of BRICS countries, but also complement the market-oriented reform of China's financial industry, the process of RMB internationalization and the strategy of foreign direct investment.

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