COMMENTARY

Transition of countries to currency and trade sustainable international cooperation on the BRICS platform

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Abstract: The transition to monetary and trade sustainable cooperation within the BRICS can be carried out on the basis of the energy economic equivalent of the national currencies of sovereign states. The International Monetary Index will link the existing commodity masses of states with national currencies. The creation of two-circuit national monetary and financial systems will create conditions for the evolutionary transition of budget formation. Double-circuit monetary and financial systems will bind national currencies to energy economic equivalents and goods. An interim measure of the national currency due to the energy economic equivalent and a group of goods with both commodity and monetary properties creates their currency value. This makes it possible to estimate their value in the energy economic equivalent. The energy economic equivalent can become a meter of the intrinsic value of any payment means. The economic reserve base, expanded at the expense of groups of goods, makes it possible to create a stable basis for strengthening national currencies in the system of domestic, regional and international settlements, maintaining their stability. It is possible to connect the financial and real sectors of the international economy of sovereign states through the BRICS investment international bank. This will allow the generation of long and cheap financial resources by issuing securities and digital financial assets secured by a group of goods with foreign exchange value. National currencies will become full-fledged, tied to the amount of those resources that are in the provision of the BRICS investment international bank.

Keywords: trade cooperation, double-circuit monetary and financial systems, investment international bank BRICS

1 Introduction

Modern enterprises of the real sector of the economy of the Western countries of the world experience a chronic shortage of working capital, as a result of which they not only do not have enough resources to ensure their own work, purchase equipment, components, energy and semi-finished products, but also to pay their employees. This reduces the solvent domestic production market of countries, stimulates unemployment, lowers the living standards of their population, and prevents the formation of scientific and technological progress. After all, money is the blood of the economy, and smallness never contributes to the health of the body.

Enterprises exhaust their working resources in the process of escalating competition and as part of its all kinds of cost reduction. As a result, their depreciation savings are insufficient. They have limited opportunities to modernize their equipment with the help of sponsors and investments, the interaction of production entities is difficult. That is, the problem of providing enterprises with the working capital required for their work has already gone beyond the competence of individual enterprises and targeted state intervention is required to resolve it, but for the most part it is not even visible. As a result, enterprises are forced to compensate for the lack of funds required by bank loans, the percentage of payment for which often exceeds the profitability of production itself. As a result of all this, the volume of world debt already exceeds $246 trillion, including from developed countries - $177 trillion. This is an absolute credit record, 320% of world GDP, *i.e.* the cost of all products and services created on the planet. No government regulation measures within the current development paradigm are able to weaken this trend.

The Asian mode of production offers the use of a two-circuit monetary system. It is based on the understanding that the production and consumer spheres of activity of people are too different to be convenient to serve with the same money. It was invented in China in the 12th century CE under the rule of the Song Dynasty, the state was able to exist and develop successfully for many years. The essence of the model was to divide money circulation into real and symbolic flows.

In the 1929-30s, a two-circuit monetary system was built and launched in our country, in which non-cash and cash rubles were mutually non-convertible. Non-cash – provided the needs of industry, construction, agriculture, regardless of market supply-demand. It was a kind of "blood" of the economy of a large country, connecting the entire economic structure with a single circulatory system. Non-cash cannot be saved, stolen, paid a bribe, used for corruption. Cashless money poured into the economy when it was required, and was withdrawn from it when the need for it disappeared. Non-cash ones were a certain conditional unit with the help of which the planning and distribution of all types of resources in the economy, accounting and control over their use were carried out, the discipline of contractual relations between enterprises was maintained. Cashless money ensured the functioning of construction, industry, agriculture, *etc.*, regardless of their market supply-demand. System-wide indicators of production activities were planned in them, resources were allocated and mutual settlements between enterprises and organizations were carried out. The main task of the functioning of the cashless money circulation circuit was the organization of optimal, reasonable development of all sectors of the national economy, which ensures the vital needs of the population and the protection of the country's sovereignty [1].

Cash provided market operations and performed all the generally accepted functions of money domestically. They could not get into the cash circuit of non-cash funds. A pleasant bonus was the complete absence of inflation, there could be no uncontrolled rise in prices in principle, since cashless ones could not flow into cash, eroding the value content.

With the complete absence of investment from outside, 1,500 new factories and industrial enterprises went into operation in the first five-year plan, and more than 4,000 in the second [2]. And this is not counting timber industry enterprises, artels and other local business centers. From the point of view of the existing world liberal market economic doctrine, this is impossible in principle.

Nowadays, China uses a three-circuit model of monetary circulation, including a two-circuit model of monetary circulation within the country [3]. The essence of the two-circuit model is to divide money circulation into natural and non-cash money. The consumption of an individual is provided by natural money, with which you can buy food, clothes, *etc.* Long-term infrastructure projects are funded from another circuit that operates on government-issued debt securities. In China, paper money was invented specifically for this. Two circuits - cash and cashless - are divided, the borders between them are guarded by the state through change offices, in which you can exchange coins for papers and vice versa. This allows us to concentrate resources on innovative projects with an unclear prospect, necessary for breaking the economy into a new technological structure. The third cash circulation loop is used for international settlements.

In modern conditions of digital technology development, sovereign states can use digital national currencies as non-cash funds, and use the energy economic equivalent as the international digital currency of the BRICS bank for international settlements within the BRICS [4, 5].

2 Currency index as an indicator of sustainable foreign economic cooperation

In world practice, a number of indicators of foreign economic activity are calculated on the basis of the ratio of purchasing power parity and the national exchange rate. In addition to the ratio of price levels in different countries, defined as the private of dividing purchasing power parity by the national exchange rate, the purchasing power standard is widely used to translate indicators expressed in national currency into a comparable currency.

It is advisable to introduce a currency index for stimulating foreign economic activity, reflecting the ratio of the national exchange rate and purchasing power parity, significantly expanding its scope for sustainable cooperation.

The currency index can have a fairly wide scope:

(1) with its help, you can answer the question of an inflated or underestimated national exchange rate;

(2) currency index allows you to recalculate economic indicators for international comparisons. For example, to express the GDP of a country in the energy economic equivalent, to use it to calculate the export and import quotas, to compare the standard of living of the population, *etc.* [6, 7] The standard of living of the population can be obtained by multiplying GDP by a currency index;

(3) by analyzing the currency index, you can determine the direction of the exchange rate impact on foreign economic activity. If the currency index is larger than one, then it acts as a

stimulant of export activities; if less than a unit, a stimulant of import activity;

(4) you can determine the effect of the currency index on the movement of capital and on the movement of goods.

The currency index shows a different direction of change in different countries. Today, there is a natural process of equalizing the official exchange rates of national currencies of sovereign states, with the ratio of the purchasing power of these currencies. This allows states to switch to two-circuit monetary and financial national systems with an energy economic equivalent.

There is a fairly close relationship between the value of the currency index and the level of development of the country. The influence of the exchange rate on the conditions of foreign economic activity characterizes the indicator of the total price level. The law of one price finds its statistical confirmation, expressed in the tendency of convergence of the general price level in the absolute majority of countries.

There are opportunities to use the currency index in the energy economic equivalent to strengthen international interaction by the formation of the 5.0 industry with artificial intelligence and technological singularity on the BRICS international platform by sovereign high-tech states [8].

3 Multi-currency and trade sustainable interaction of BRICS countries

Cooperation between the BRICS countries in the field of international finance is one of the most frequently discussed areas [9]. The possibility of cooperation in the currency sphere, as well as mutual settlements in national currencies, the BRICS countries agreed in 2010 at a summit in Brazil. Since then, the presidents of development banks have been meeting in parallel with the BRICS summits. These meetings are part of the Interbank Cooperation Mechanism (MIC), which provides a variety of financial services for economic interaction, technical interaction and trade development of the BRICS countries and has the goal of supporting the development of infrastructure, energy and high-tech industries of these countries. Based on the agreements that were signed under the BRICS MIC, banks that are members of this mechanism took steps towards the development of multilateral financial cooperation within countries and created basic mechanisms for resolving payments and financing investment projects in national currencies. An agreement to provide loans in national currencies was signed in 2012 during the BRICS summit in New Delhi.

Other formats of currency partnership, in addition to MMS, are the BRICS Exchange Alliance and the BRICS Business Council. The BRICS exchange alliance was created in October 2011. It includes the largest stock exchanges of the five countries. Cooperation within the alliance involves cross-listing derivatives on its stock indices (introduced in June 2012). In the future, it is planned to jointly develop new products and services. Within the framework of the alliance, investors get easy access to derivatives to the main stock indices of countries, which will be traded at the sites of the alliance countries in local currencies.

The BRICS Business Council was established in March 2013. The tasks of the BRICS Business Council include identifying problematic factors that hinder the growth of economic ties between countries, as well as developing proposals for their resolution. In 2014, the Business Council approved a list of industry working groups in key areas of cooperation.

Cooperation in the field of international finance may open up new opportunities for closer cooperation and prospects for the main areas of financial cooperation of the BRICS countries.

The transfer of trade to the national currency allows exporters to reduce the cost of insurance for currency risks. In this case, the corresponding costs arise from the buyer who may refuse to buy goods in the currency of the exporter's country. The higher the trade turnover and the stronger the trade relations between the countries, the more profitable it is for them to switch to mutual settlements in national currencies. The BRICS countries have been discussing the prospects for the transition to settlements in national currencies for several years, and have made some progress in this direction. The settlement and payment infrastructure in the BRICS countries at the time of the organization's establishment was built only between Russia and China, therefore, today the greatest progress in the issue of mutual settlements in national currencies is observed between these two countries.

Regular discussion by the BRICS countries of cooperation in the field of finance in various formats of partnership, the introduction of proposals and their subsequent implementation show interest in the further development of cooperation in this area.

China is making the most significant efforts to internationalize its national currency within the organization. Over the past few years, the yuan has become noticeably more popular within the BRICS. In the future, we can expect even greater use of the Chinese currency in settlements between the unification countries. Russia is also making significant efforts to switch to mutual settlements in national currency in the BRICS format and beyond.

The foundation of the NBR and the pool of conditional reserves shows the seriousness of countries' intentions in reforming the global financial system. The bank's effective work may accelerate the implementation of other initiatives of the organization, such as the creation of the BRICS payment system.

One of the main factors restraining the development of financial cooperation in the BRICS is the limited volume of trade within the framework of the association [10]. The implementation of the Belt and Road project and the formation of the BRICS free trade zone can significantly increase trade within the organization.

Strengthening foreign trade cooperation between countries can significantly increase their international competitiveness and investment attractiveness.

The systematic development of mutual trade, the creation of new institutions in the BRICS can turn the organization into an influential interstate association actively involved in the system of global regulation.

The formation of BRICS strengthens the trend of the formation of a multipolar system of international relations and the growth of economic cooperation between the countries of the world. The development of the association contributes to the birth of a new economic system based on equal access of countries to sources of financing and sales markets, a combination of state planning and a market economy. The value of the BRICS paradigm lies in a qualitative change in the model of economic development.

BRICS is increasingly firmly established in international relations as a systemic framework. Such areas as the development of infrastructure, transport systems and logistics systems, innovations, electronic data exchange systems, the expansion of public-private partnership mechanisms are important areas of cooperation between the partner countries of the association.

On January 1, 2022, India handed over the BRICS presidency to China. The current year in the alliance will be held under the slogan "Build high-quality partnerships, jointly create a new era of global development" [11–14]. China can offer BRICS countries a three-circuit model of monetary circulation, including a two-circuit model of monetary circulation within countries. The adoption and implementation of this proposal by the BRICS countries will ensure their multi-currency and trade sustainable interaction and can contribute to the formation of a new economic order [5].

4 Conclusion

Given the unprecedented growth of geopolitical risks in the world, there is a growing awareness that the old architecture of the economic world order is being replaced by a new configuration of economic relations. One of the most important drivers of this kind of transformation of the world economy is the BRICS countries, which create their own institutions, regional integration associations and financial settlement systems. The BRICS countries, which make up almost half of the world's population and a significant part of world GDP, will be one of the backbone of the new emerging economic order.

In order for BRICS to become the basis for a new world order, this block must develop and offer other countries of the world economy new paradigms for the development of a global scale. Such areas in the new world economic architecture may include the restart of globalization based on the platform of the BRICS countries, the creation of a new institutional system for the modernization of the countries of the world economy, their coordination and development.

The presidency of China in 2022 in BRICS creates a favorable basis for the development of the BRICS + format, while Chinese representatives have already stated that they are considering the development of the BRICS + concept in the context of the interaction of integration associations of countries. For the Russian BRICS + format, the depth and harmonization of the integration of priority regional projects of the BRICS countries becomes more important.

The BRICS role in the international arena can also be activated through the improvement of the functioning of the BRICS Conditional Foreign Exchange Reserve Pool (PUWR). Over the past few years, the BRICS PUWR has intensified coordination with other regional financial institutions (RFIs) in regular consultations conducted by the IMF with regional financial mechanisms. Within the framework of the BRICS + mechanism, it could be considered the possibility of strengthening the mandate of the BRICS PUWR to monitor the macroeconomic situation in the BRICS countries, in the development of coordinated anti-crisis measures, as well as on the interaction of the BRICS PUWR with other RFOs of developing countries and regional partners of the BRICS countries.

For a global restart of the development of the global economy, an expanded BRICS + interaction format is needed, which will allow other countries of the developing world to be involved in this process. In this case, the reformatting of the global economy will become sustainable.

The platforms, which will be a reconstructed building of the global economy, should include a common digital platform, an interaction platform based on cooperation between continental development institutions, as well as a platform for human capital development and innovation. To increase its economic dynamism, the global economy needs to expand the action of digital platforms and ecosystems. To do this, BRICS countries need to implement strategies for interstate cooperation in integration and innovation to best disseminate existing technologies and promote access to new technologies, embodied in the form of technological products, social processes, scientific knowledge and education.

It is necessary to strengthen the economic integration of political and cultural and translate economic into the space of global competitiveness to solve the world problems facing humanity. The success of BRICS will depend on its adequacy to modern global challenges, the ability to develop a consistent integration strategy and effectively use existing resources. Free investment in socially beneficial production will form a more efficient economy than the economy of any of the capitalist countries.

The entry into the BRICS of new states of different continents will have a fruitful effect on the formation of a new fair global economic architecture. The successful implementation of this scenario will depend on the ability of the BRICS countries to design a common economic future.

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