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## ***РОЛЬ КИТАЯ В НОВОМ БАНКЕ РАЗВИТИЯ БРИКС***

***Шкварина А.В.***

*Студентка 4 курса*

*Финансовый университет*

*при Правительстве Российской Федерации*

*Россия, г.Москва*

### ***Аннотация***

*Статья посвящена изучению роли Китая в НБР БРИКС и установлению влияния, оказываемом Китаем на деятельность банка и его развитие. Особое внимание уделяется анализу изменений экономического положения Китая после вступления страны в НБР БРИКС.*

***Ключевые слова:*** *международная торговля, международное содействие развитию, международные организации, развивающиеся страны, корзина резервных валют, фондовый рынок.*

## **THE ROLE OF CHINA IN THE NEW DEVELOPMENT BANK BRICS**

***Shkvarina A.V.***

*student of 4 course*

*Financial university*

*under the Government of the Russian Federation*

*Russia, Moscow*

### ***Abstract***

*The article is devoted to the role of China in the NDB BRICS and to the influence which China exerts on activity of the bank and its development. Special attention is paid to the analysis of changes of economic position of China after accession to NDB BRICS membership*

***Key words:*** *international trade, International Development Assistance, international organizations, developing countries, basket of reserve currencies, stock market.*

The New Development Bank is one of the most powerful unions in the world nowadays and exerts great influence on the world economy. It seems to be the first time, when the biggest international institute was created without domination of the west countries, which might be constitution of bipolarity of the world.

Some experts say that NDB can be an opponent to the World Bank, the latter plays an important role in the functioning of the global economy. In my opinion, it is an additional opportunity rather than opposing institute for developing countries to get money and to finance projects of infrastructure as developing countries do not have enough representation in the World Bank.

This article discusses a significant role of the most active participant of this bank – China, which on a par with other members has created alternative source of development of the economies. Or may be alternative opportunity for expansion of influence?

The participation of China can be described in the following way. Firstly, China has contributed 41 percent of the authorized capital of the bank and has the largest voting right at 39.5 percent. Also China had an influence on the location of the home office of the bank, which is headquartered in Shanghai.

Secondly, according to Chinese Premier Li Keqiang, China exerts influence on development of relations with other international organizations, for example with AIIB. <sup>1</sup>The NDB follows soon after the establishment of the Asian Investment Infrastructure Bank (AIIB). AIIB is international financial institution which was founded by China. Thanks to the high level of development of China it can share its experience, productive potential with other members and strengthen interaction of participants not only with the rest of the world, but also inside of the cooperation.

Moreover, China has an influence on directions of activity of the NDB. For example, on the initiative of China the NDB decided to develop projects aimed at development of Central Asia. This direction of activity meets the investment interests not only of China, but also Russia and India.

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<sup>1</sup>Source of information: <https://www.rt.com/business/250689-brics-aiib-imf-rival/>

A common knowledge is that a determining factor in the creation of the BRICS Development Bank are International Development Assistance (IDA) programs. Some experts (Zaytsev, 2015) say that it is difficult to estimate the amount of financing needed for IDA programs because the majority of the BRICS countries do not have unified systems for calculating the resources to be allocated for the socioeconomic development of partner countries.

According to expert estimates, China is the leading country in terms of financing IDA programs (*Table 1*).<sup>2</sup>

**Table 1. The Amount of Aid Provided by BRICS Countries in 2008—2014 (million dollars in today's prices)**

Country	2008	2009	2010	2011	2012	2013	2014	Source
Brazil	336,8	362,2	-	-	-	-	-	Brazilian Cooperation Agency (ABC)
China	1807,57	1947,65	2010,61	2814,4	3123,2	2997,3	3401,4	Fiscal Year Book, Ministry of Finance of the People's Republic of China
India	609,5	488,0	639,1	789,8	1077,0	1223,2	1398,3	Annual Reports, Ministry of External Affairs, Government of India
Russia	220	789	472	514	465	609,6	876,2	OECD Development Assistance Committee, Rossotrudniches tvo
South Africa	89,2	119,5	98,4	160,5	151,9	148,2	-	Estimates of National Expenditure,

<sup>2</sup>Source of information : Yury Zaytsev . Russian International Affairs Council / Yury Zaytsev / Russian International Affairs Council. – 2015 [[http://russiancouncil.ru/en/inner/?id\\_4=6388#top-content](http://russiancouncil.ru/en/inner/?id_4=6388#top-content)]

To develop IDA programs and promote new directions of activity of the NBD it is necessary to have money in stock. The money stock is formed by contributions of countries-participants. But countries have different practices when it comes to assessing risk and approving loans. For example, the China Development Bank and BNDES have a very low share of problem loans in their credit portfolios. This is because these banks finance projects by large corporations, rather than those by small and medium-sized enterprises (SMEs), whose risks are significantly higher. In contrast to its partners, Russia's Vnesheconombank (VEB) has a separate program for financing SMEs. The Development Bank of Southern Africa (DBSA) was similarly exposed to high risks as a result of its lending to the most vulnerable sectors of the national economy during the 2008—2009 financial crisis.

Thus, we can see, that China is the most reliable and useful financing source for the NDB among all participants. Also the China Development Bank issues long-term bonds at low interest rates with state guarantees, what means benefit and reliability for the NDB.

On the contrary, at present Russia's Vnesheconombank has incredibly big external debts because of enormous currency arrears and credits given to associated companies. This economic state can lead to the reduction of Russia's investments in the NDB. And in my opinion this fact once more shows weakness of the Russia's position in the NDB.

Together with China Russia and India also take an active part in the development of the NDB. Speaking about the role of these three countries in the NBD BRICS it is meaningful to say that China, Russia y India have different economic potential. For example, by GDP per head, China takes the first place. According to the dates of IMF, the GDP per head of China in the 2015 comes to

\$22 083, while this index in Russia amounts \$8 447 and in India \$1 688.<sup>3</sup> Also the China has 60% of cumulative GDP and 41 % of the authorized capital of the bank.

Moreover, China has a leading position in the foreign commerce of Russia and India. For instance, China constitutes 88 % in the import of Russia from BRICS and in the export from Russia China has 79%. Also China is the leader in the export of high-technological production, the part of China among other participants comes to 25%, while the export of other countries does not increase 6 %. Among supplies of India and China the biggest part take low-technological products.

There are a lot of organizations in the world, in which it is feasible to allocate a leader. Take for example International Monetary Fund. The biggest number of votes in this fund belongs to the USA. And leading role of decision-making process also belongs to the USA. Analyzed other organizations we will be able to see that any integration of countries has its leader and it is really essential.

Leading role of China in the NDB BRICS affects the relationship between other members. For example, nowadays there is huge trade between Russia and China which is made in rubbles, and this fact is very good for the economy of Russia because it gives access to goods by lowest prices. Moreover at the end of November of the 2015<sup>th</sup> year a committee of directors of the IMF made a decision to include yuan in the basket of reserve currencies. Nowadays the share of yuan in the basket of reserve currencies is 10,92%, and it takes the 3<sup>d</sup> place in the list (being outstripped by dollar and euro), this fact proves leading position of yuan in the world trade. In my opinion it is possible to say that including of yuan in the list of reserve currencies will let China get more control in the activity of the NDB and more power in the world.

Furthermore thanks to these activities dollar perhaps in the future will lose its central role in international trade, what is profitable for all members of the NDB, specially for China, which has big commercial relations with the whole world. Thanks to big capital of China, NDB can promote granting loans in domestic currency which assists financing of new projects in the east, especially in Russia.

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<sup>3</sup> <http://www.imf.org/external/np/ms/2015/121415.htm>

As we know at the time of creation of NDB BRICS stock market in China has fallen. This fact has close connection with further development of NDB BRICS. On one hand, China is economic leader of this organization which has the biggest resources and usually invests in developing countries. But on the other hand, in this situation reserves of China will be necessary to China itself and therefore the weight of Chinese investments in the NDB will be less. As was mentioned earlier the biggest volume of investment in the NDB belongs to China, therefore, the NDB will lose considerable proportion of investments and the number of realized projects will decrease.

So, in conclusion it is viable to say that in spite of actual problems, China goes on being driving force of the New Development Bank and exerts big influence on the development of the world. Nowadays a leading role of China is shown in the dependence of Russia and India from China, together with that the NDB is really an alternative opportunity for expansion of influence of China, and actually it is still uncertain whether it is a good or bad phenomenon for the world. I think that in the future the leading role of China will continue to grow, because already nowadays this fact is traced through the increasing role of yuan in the world trade. And the growing role of China in the world will be able to change economic situation and touch the rank of every country.

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