Development And Credit For Building A New Global Order

This article recapitulates and summarises recent agreements and ongoing projects intended to build a new international monetary, financial and economic order to replace the moribund Bretton Woods System. At the heart of this transition, the five BRICS member-countries have set up a network of new banks, funds and financial facilities to support massive new infrastructural and industrial projects and revive international development with innovative technology and philosophies for integrated, sustainable growth. The paper highlights the need for Europe not to remain outside this global process and to breakout of American control at a time when a declining US still seeks to block any perceived challenge to its preponderance.

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The growth of the BRICS (Brazil–Russia–India–China–South Africa) alliance and the difficult but inevitable consolidation of the European Union (EU) signal the gradual transition from a unipolar to a new multipolar world order. More than seventy years after its creation, the Bretton Woods system, built around the United States of America (US) and the dollar as the sole reserve unit, has reached the end of its historical cycle. The time has come to build a new, more just and balanced economic order. The Bretton Woods institutions are ever less representative of the world's financial architecture in which emerging economies have become the main engines of development. Such change to be effective in the political domain must be carried out through new agreements and arrangements in the commercial, financial and monetary sectors, especially in the economic, infrastructural and social dimensions.

It would be myopic to delay such change, as it would only further tensions and unmanageable conflict. There are two possible ways to build a functional multipolar system respecting all participants' legitimate aspirations to national sovereignty, cooperation and universal development. If the declining US agreed, a new Bretton Woods could be convened where, together with BRICS nations, emerging economies, Europe, Japan and others, new global assets could be defined. These would translate into a new international governance regime, new global institutions and a new monetary system based on a basket of important currencies. The continuing refusal of the US, reiterated at the G-20 summit in Brisbane in November 2014, to review the control percentages of the International Monetary Fund (IMF) in which BRICS do not have any agency, leaves no room for hope in consensual positive change. Instead, sabotage has been repeated annually from 2010 onwards when the reform on IMF quotas was announced. Hence, the alternative is to work step-by-step concretely and diligently to build new international structures laying the foundations for new agreements and policies of real economic and social development.

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THE BRICS DEVELOPMENT BANK

At the July 2014 BRICS summit held in Fortaleza, Brazil, heads of govt. of the five nations formalised the creation of the New Development Bank and the establishment of the Contingent Reserve Arrangement (CRA), a specific fund of monetary reserve. Proposals made in previous summits thus matured into an operational setup that enables BRICS nations to be "less dependent on the US dollar and better equipped to withstand the blows of future turmoil in financial markets". Speaking at the summit, Russian President Vladimir Putin summed up the strategy.

> "The international monetary system depends a lot upon the dollar and to be precise on the monetary and financial policies of the US authorities. The BRICS countries want to change this" (online at http://tass.ru).

He also proposed setting up a BRICS rating agency independent from the "three rating sisters" of Standard and Poor's, Moody's and Fitch, which were at the centre of the great American financial crisis of 2006–07 and hence of the economic destabilisation of the EU and emerging nations. The Fortaleza Declaration announced (online at http://brics6-itamaraty.gov.br):

> "The signing of an agreement establishing the New Development Bank with the purpose of mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies. … Based on sound banking principles, the New Development Bank will strengthen the cooperation among our countries and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to our collective commitments for achieving the goal of strong, sustainable and balanced growth".

To fulfil its purpose, the bank will support public and private projects through equity participation, guarantees, loans and other financial instruments. It will also cooperate with international organisations and other financial entities and provide technical assistance for projects supported by the bank. In addition, the bank in its operations may provide financing in the local currency of the country in which the operation takes place, provided adequate policies are in place to avoid significant currency mismatch. The establishment of the New Development Bank buttresses the "Agreement of Cooperation for Innovation" signed by five BRICS national development banks—Brazil's Banco Nacional de Desenvolvimento Econômico e Social, Russia's Vnesheconombank, India's Export–Import Bank, the China Bank Development Corporation and the Development Bank of South Africa. The agreement states:

> "On 29 March 2012, the Parties concluded the Master Agreement on Extending Credit Facilities on Local Currency under BRICS Interbank Cooperation Mechanism, as well as the BRICS Multilateral Letter of Credit Confirmation Facility Agreement. Finally, on 27 March 2013, the Parties signed two new instruments—BRICS Multilateral Cooperation and Co-Financing Agreement for Sustainable Development and BRICS Multilateral Infrastructure Co-

> financing Agreement for Africa. ... Given the increasing necessity of the BRICS countries in fostering innovation initiatives in the future and in order to facilitate the sharing of information about technological innovative programmes within the countries and any other countries within which the Parties may operate and the financing of or investment in such programmes, the Parties will endeavour, as the need arises, to enter into multilateral or bilateral agreements ... aimed at coordinating cooperation, skills transfer and knowledge sharing between and among the Parties. ... Subject to the terms agreed between the relevant Parties in the Multilateral or Bilateral Agreements, the focus of the relevant Multilateral or Bilateral Agreements may include, but not be limited to, projects and initiatives that foster investments in technological innovation with emphasis on infrastructure and sustainable energy, including process and product innovation in different fields, related to industries services and agribusiness such as promoting knowledge sharing initiatives related to best practices, innovative financing, emerging technologies and financing of innovation projects".

In this manner, real and independent policies have emerged from the global financial and economic crisis, which began in the US and brought to its knees the world defined as "developed". An alternative to the hegemony of high-risk and ephemeral speculative finance is the return of productive credit and long-term investment into strategically important sectors such as economically and socially sustainable agriculture, energy generation, infrastructure, new technologies and urbanisation. The New Development Bank has an initial nominal capital of a hundred billion dollars of which half has been subscribed. Its mission is to finance investment not only in BRICS nations but also promote projects and infrastructural undertakings in developing countries, particularly in Africa. BRICS countries also intend to become major suppliers of machine and other goods, thus stimulating their own industrial and technological sectors. The New Development Bank is an alternative to the World Bank, which in the past few decades has become the foster sister of the IMF whose role, beneath misleading Western rhetoric, has been detrimental to developing countries.

Emerging economies have recently undergone continuous destabilisation as a result of the "yo-yo" quantitative easing policies of the US Federal Reserve. Such upsets have impelled many governments such as Brazil's to speak of an ongoing "monetary war".

> "The CRA is a framework for the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures" (online at *ibid*).

The Contingent Reserve Arrangement (CRA) too has been launched with a fund of a hundred billion dollars contributed by its founders in the following proportions—41 from China, 18 each from Brazil, Russia and India and five from South Africa. It is an important initiative to manage eventual liquidity crises, heavy currency devaluations, orchestrated capital flights, destabilising budget deficits and major financial shocks. All such events keep balance of payments under pressure. Emerging economies have recently undergone continuous destabilisation as a result of the "yo-yo" quantitative easing policies of the US Federal Reserve. Such upsets have impelled many governments such as Brazil's to speak of an ongoing "monetary war". The recent manipulated decrease in oil and gold prices were intended to create difficulties for BRICS states, especially Russia and for Iran as well. While many previous commercial and economic agreements between BRICS member-states were denominated in their respective national currencies, the two Fortaleza institutions intend to do their accounting in dollars. Although this appears to be self-contradictory, in reality it is a diplomatic strategy to bide one's time. The Asian financial crisis of 1997–98 led to the launch of the Chiang Mai initiative by the Association of Southeast Asian Nations, China, Japan and South Korea. Although the reserve fund grew to 240 billion dollars, it was not able to protect the currencies and economies of its subscribers.

The BRICS Summit of 8–10 July 2015 in Ufa, Russia, was devoted to the "Strategy for BRICS Economic Partnership" in the strategic sectors of agricultural production, the fight against drug trafficking and terrorism, infrastructure, manufacturing and mining, power, technological innovation and exchange, trade and investment and transport and logistics. It was also decided that national development banks would cooperate under the framework of a "financial forum" on topics of mutual interest such as cooperation in the area of payment systems, with an "interbank cooperation mechanism" for expanding financial and investment cooperation and "the use of national currencies in transactions between BRICS countries" (online at http://ufa2015.com). An agreement was also reached on a common "Made in BRICS" logo, on cyber security and on independent initiatives to establish the BRICS Network University and the

BRICS University League. As the energy sector is of current strategic importance, it has been given priority in the agreements. A BRICS association for energy has been proposed as a "fuel bank" as has as a joint institute for energy policy.

THE ASIAN INFRASTRUCTURE INVESTMENT BANK

The Asian Infrastructure Investment Bank (AIIB) announced in 2013 by Chinese President Xi Jinping has been rapidly brought into being with the participation of 57 countries on all continents. It is a multinational bank with its head office in Beijing tasked with the development of infrastructure and other productive sectors in Asia especially agriculture, power and water, rural and urban planning, telecommunications and transport and logistics. Its initial capital of fifty billion dollars may in the future reach a hundred billion. China's quota is between 30–50 per cent, followed by India and Russia. Almost 75 per cent of the capital will come from Asian nations (online at http://www.aiibank.org and http://English.cntv.cn). Apart from the initial capital, the bank intends to use a variety of financial instruments including medium and long-term bonds directly linked to development projects and guaranteed by their implementation. The AIIB is part of China's long-term strategy to build a new regional and global order. In this context, the economic belt of the Silk Road (One Belt One Road), which would link China to Europe through a land corridor and a sea route will play a central role.

The adhesion of many European nations to the AIIB at inception sends the message that Europe does not intend to stay out of significant processes of transition in the global economy. To not participate and simply follow Washington's lead in its isolated course would be detrimental for the continent's access to the rapidly growing Chinese and other Asian markets.

A study in 2009 by the Asian Development Bank Institute estimated that the Asian region would require eight trillion dollars in infrastructure investment between 2010 and 2020 to reach full development. The American government has sought to block the participation of European countries as well as other "developed" allies in the AIIB as it views the bank as a rival to the World

Bank and the Japanese-controlled ADB. US Treasury Secretary Jack Lew has even raised doubts on the governance of the new institution. "What worries us, is whether it will adhere to the high standards that international financial institutions have set", conveniently forgetting the disastrous results of the IMF's "structural adjustment programmes" in many emerging and poor countries (online at http://asiasociety.org).

The adhesion of many European nations including France, Germany, Great Britain, Italy and Switzerland to the AIIB at inception constitutes a historic first on the geopolitical chessboard. It sends the message that Europe does not intend to stay out of significant processes of transition in the global economy. To not participate and simply follow Washington's lead in its isolated course would be detrimental for the continent's access to the rapidly growing Chinese and other Asian markets. Britain's decision to join the AIIB is of particular significance as London has thereby taken a stand independent from the US. The move has had important reverberations in Australia, Japan and South Korea, which are not negligible given that these countries had hitherto always fallen in line with the US. In fact, Australia and South Korea are among the bank's founding members. However, it would be a mistake to limit the relevance of the AIIB to economic opportunities. Together with the BRICS bank, the AIIB is another important benchmark in the process of redrawing the international monetary system in which the EU and the euro play an indispensable part. By taking this initiative, China hopes to bolster the traditional strategy of "relations between great powers" with "peripheral and/or infrastructural diplomacy"—the strengthening of economic and diplomatic links with Far Eastern nations, together with a "comprehensive strategic partnership" with Russia. China is also moving towards the creation of an Asia–Pacific Free Trade Area as an economic response to the US sponsored Trans-Pacific Partnership that aims to contain the budding Euro–Asiatic alliance. On the political and security front, Beijing has long favoured independent Asian solutions through the Shanghai Cooperation Organisation, which also has its own development bank and the Conference on Interaction and Confidence Building Measures in Asia.

THE DOLLAR FACES A RISING YUAN AND OTHER CURRENCIES

On the global economic stage, current data show a major anomaly—the American economy amounts at most to 20 per cent of the global gross national product (GNP) but the US dollar remains the reference currency at the international level. Even economists from the Basel based Bank for International Settlements (BIS) have sought to account for this fact. Indeed global dollar reserves still represent 60 per cent of the whole. The level has been maintained over the last few years, even though since 1978, the percentage of America's GNP in the worldwide gross product has fallen by six per cent while the dollar's value has decreased by 24 per cent vis-à-vis other major currencies (online at https://ustr.gov). According to a BIS analysis, the dollar's role hinges not on the US economy but on the size of the "dollar zone", which still amounts to half the global economy and includes countries whose economies and trade are denominated in dollars. Most nations hold reserves in dollars as transactions on exchange markets are managed in dollars—the denomination in which national currencies are mainly traded. By comparing the present situation with historical precedents when the pound sterling was the reserve currency of the past, the BIS has concluded that the percentages of currencies held in the monetary reserve basket could change quickly in the coming years (online at http://www.bis.org). A major reason for such an evolution could be China's decision to conduct a growing portion of its foreign trade in renminbi and other non-dollar currencies. If the renminbi were to move independently with regard to the main international currencies and neighbouring and partner states joined that process, a "renminbi zone" could take shape akin to the dollar's. In such a scenario, managers of national reserves could elect to hold a considerable portion in renminbi, perhaps not too different from the actual value of their respective currencies within the aforesaid zone.

The percentage of Chinese commerce denominated in the yuan could rise from the present 25 per cent to 50 per cent in the next five years. The Chinese currency is already the fifth most used in global transactions. Four years ago, only 900 international banks dealt in the yuan, while today more than 10,000 do so.

The Chinese government has asked for the yuan to be included in the Special Drawing Rights (SDR)—the currency of the IMF. The SDR were created as reserve instruments of the IMF through the Bretton Woods Agreements of 1944 and are defined by a basket of currencies—41.9 per cent for the dollar, 37.4 per cent for the euro, 11.3 per cent for the pound and 9.4 per cent for the yen. To date this breakup remains unchanged and all requests for participation from the Chinese have been rejected by Washington on the grounds that the yuan is not widely used in international commercial transactions and that the Chinese government in effect controls capital movement to prevent undesired re-evaluations of the yuan. Meanwhile, Beijing has carried out certain important financial reforms. It has introduced a system of guarantees on capital deposits, which enable its banking system to function globally without jeopardising its stability. Commercial credits remitted in yuan already amount to ten per cent of the worldwide total. Along with the growth of Chinese exports, the internationalisation of the yuan has made it a successful competitor of the dollar. The percentage of Chinese commerce denominated in the yuan could rise from the present 25 per cent to 50 per cent in the next five years. The Chinese currency is already the fifth most used in global transactions. Four years ago, only 900 international banks dealt in the yuan, while today more than 10,000 do so. By 2020, the yuan could become part of the international monetary reserves for central banks for an amount of 500 billion in US dollar equivalent.

Since the imposition of Western sanctions, Russia too has been working to become independent from the dollar as far as possible. Before the onset of the Ukrainian crisis, it had 90 billion dollars in reserve. The current actions of the EU however have not been helpful in making the euro a desirable alternative as a reserve currency for the Russian Central Bank.

THE ROLE OF NATIONAL CURRENCIES

For some time, particularly but not limited to commercial transactions between BRICS countries, national currencies have been used with increasing frequency to enter into contracts, extend credits and regulate payments for projects and investments. China has concluded major agreements with Brazil, Russia, Japan and South Korea, denominated in the yuan and in the respective currencies of these states. Such accords involve currency swaps, which enable parties to settle payments in agreed currencies. China has also proposed this mechanism to the EU. A major portion of gas deliveries from Russia to China for an amount equivalent to 400 billion US dollars could be settled in roubles or yuans and accordingly petrodollars would play less of a role than in the past. Even before an energy agreement was signed, China and Russia had inked swap agreements for a value amounting to 25 billion dollars to facilitate direct business between the two countries. In response to endeavours to destabilise the rouble through speculative attacks from the West, Russia has accelerated reforms that impact new monetary structures being discussed between BRICS members. Such initiatives would lay the basis for replacing the clearing system for international settlements—hitherto dominated by the dollar and the euro—with a new regime founded on national currencies and on monetary swap agreements between the central banks of BRICS nations and eventually other countries. The consolidation of the new system could lead to the conclusion of internal currency agreements within the BRICS alliance similar to the European Monetary System, which until its dissolution as a result of speculative attacks in 1991–92 remained an efficient accounting, settlement and compensation mechanism for its members.

In April 2014, Moscow announced that a part of international contracts subscribed by large Russian companies would be denominated in roubles. In addition, at the Asia–Pacific Economic Cooperation forum in Beijing in November 2014 Putin stated, "We will make ever greater use of agreements and payments in national currencies in our trade with China. We are ready to sign the first agreements in roubles and yuans in the energy sector" (online at http://en-kremlin.ru). An intergovernmental Chinese–Russian commission is studying options and the Russian Central Bank has declared its intention to set up a system of multilateral swaps with BRICS partners. Accordingly, the gold rouble has come back into discussion. While the volatility of the yellow metal in recent months has been to make it unreliable as a standard for international monetary agreements, Moscow has actively fostered linking the rouble to gold. A thirty per cent devaluation of the Russian currency appears to be the result of international speculation and manipulation and not a reflection of Russia's real economic potential and immense natural wealth. Basing the currency on gold reserves would have a stabilising effect on its exchange rate.

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MAJOR DEVELOPMENT PROJECTS

New agreements and development banks are the engines for a new stage of global industrialisation and modernisation especially in Africa, the Asia–Pacific and Latin America where the majority of the world's people live. There is thus an alternative model of development to the insolvent current global paradigm dominated by "post-industrial" ideologies. This implies an epochal change.

China: has many ongoing projects. The AIIB promotes the new Silk Road—the 11,000 kilometre long corridor across the continent through Central Asia, Iran and Turkey up to Europe, generating a broad swath of economic, social and urban development in its path. In the economic corridor, transport would be the first stage to access the landlocked areas of Asia. Xi Jinping presented the development plan at Astana in Kazakhstan in September 2013. The initiative would help solve Beijing's so-called "Malacca dilemma" about the homonymous strait through which 80 per cent of its energy supplies from the Middle East and Africa pass. The Chinese president also spoke at the Indonesian parliament about the complementary project of a "maritime silk route" to broaden his country's sea links with Southeast Asian states. These "highways" would connect with other projects already under construction such as the China–Pakistan economic corridor as well as the China–Myanmar–Bangladesh–India corridor. In all, these projects would involve territories inhabited by 4.4 billion people (63 per cent of the world's population) with a combined gross domestic product (GDP) of 22 trillion dollars (29 per cent of global GDP).

Russia: has begun the vast infrastructural project called Razvitie (development in Russian). It is a "New Trans-Siberian" project with significant strategic potential. It was presented by Vladimir Yakunin, then president of Russian Railways and is supported by the Russian government ("Razvitie Development of the Eurasian Continent: An Integrated and Cooperative Project", *World Affairs: The Journal of International Issues*, vol18, no3, Autumn 2014). It is a mega-project to be carried out over the coming ten to twenty years with investment estimated at an equivalent of 1.5 trillion dollars and involving the creation of twelve million new jobs. The Razvitie project intends to connect the Russian Pacific coast with Europe's Atlantic shore. Apart from railways and roadways, transcontinental connections are also planned for electricity and water, oil and gas, telecommunications and other facilities. Along the way, technological parks and new cities (at least ten "smart cities") are in the books. The project goes beyond the mere opening of new transit corridors. In effect, it implies the integrated development of a 200 to 300 kilometre wide belt all along the axis. It could lead to the creation of at least ten to fifteen industrial poles focused on fundamentally novel technologies. It differs from traditional development plans, as its goal is not only to stimulate the growth of the economy but more importantly to build a model of cooperative development linking various peoples of different cultures. It aims to harness the most advanced technologies and experiments with new models of environmental sustainability to improve the quality of life of the people concerned.

Negotiations are ongoing for linking the New Silk Road and the Razvitie Corridor (online at http://www.forumspb.com). On 23 May 2015, Yakunin met his Chinese counterpart at the Tenth Shanghai Forum to work on the integration of the two projects and Razvitie was also a focus of debate at the 18–20 June 2015 Saint Petersburg Forum. Solely from its far eastern Trans-Baikal sector, the project is expected to bring in income of a value of 500 billion roubles over thirty years with an increase of the GDP of nearly a trillion roubles and 400 billion roubles for Russian contractors. Discussions have also been held on opening a corridor from Moscow to Beijing through Kazakhstan and various other international east–west and north–south arteries. For instance, Russian Railways plans to build a line connecting Armenia with Iran as well as Russia with Iran through Azerbaijan.

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From a strategic point of view, such cooperative industrial and infrastructural schemes represent a response to the continuing macroeconomic instability by building a process of dialogue and economic integration for Eurasia. This mechanism fits in with the joint declaration of 8 May 2015 whereby Vladimir Putin and Xi Jinping pledged to deepen their partnership into strategic interaction for mutual benefits. A Trans-Korean railway is also being built. In 2014, a large terminal for goods in transit with a capacity to hold five million tonnes was completed at the port of Rajin through which Russian coal is shipped to China and a contract has been signed with North Korea to build a rail link between Khasan and Rajin. Russia and Mongolia have reached an agreement for building a line to Ulan Bator, while China has inked an accord for a link from Makhalino to Hanchun. According to Yakunin, "Our cooperation with China and other countries of the Asia–Pacific region has reached unexpected dimensions". According to him, Japan has also positioned itself in the prospect of continental development. Another project significant for global peaceful cooperation is a rail link between Siberia and Alaska through the Bering Strait.

India: has been facing the challenge of creating modern infrastructure on a national scale. In this context, its relations with China would be fundamental if both countries could rise above misgivings created by old Western geopolitical provocations and new regional power projections. China intends to finance 30 per cent of Indian agro-industrial and infrastructural development. An important component of that plan is the Delhi–Mumbai industrial corridor, requiring investment of up to 100 billion in US dollar equivalent. The axis across six states would link the two megalopolises and seed at least six "smart cities" and industrial-technological poles in its path. In the future, India needs to respond to major crises regarding, communications, housing, food autonomy and social services (online at http://delhimumbaiindustrialcorridor.com) During the "Russia–India: Opportunities for Mutual Investment" session of the Saint Petersburg Economic Forum 2015, Alexander Saltanov vice-president of Russian Railways proposed collaboration on railway modernisation projects. Russian Railways signed agreements with its Indian counterpart in connection with the Delhi–Mumbai corridor as well as those between Mumbai and Bangalore, Chennai and Bangalore and Chennai and Visakhapatnam. Indian Prime Minister Narendra Modi has expressed his notion of development with clarity:

> "We will launch a mass movement for development, just as Mahatma Gandhi launched a mass movement for freedom. It must be acknowledged that a large part of the Indian population is poor and needs greater availability of food and food security. It cannot be ignored. For that reason, I have always maintained and India has reiterated that the agreement on food security and the accord on commercial liberalisation planned by the World Trade Organisation must proceed together. We want commercial liberalisation but at the same time we

must ensure required progress on the front of food security" (Narendra Modi's Speech at Madison Square Garden, New York, 28 September 2014).

Brazil: Latin America accounts for only four per cent of global trade but has a purchasing power equivalent to four trillion dollars—higher than Japan's. Brazil represents 55 per cent of the continent's GDP. A strategy of Ibero-American integration led by Brazil has been initiated and through industrial development, it aims to transform the labour force, thus favouring greater integration. The physical integration of the continent requires the construction of a network of railways, parallel to a web of pipelines and fibre optic cables. A fundamental role would be played by waterways such as the Orinoco and the Amazon. A complex programme of investment and state infrastructure prepared by a team of Brazilian engineers led by Darc Antonio da Luz Costa, a former vice president of the Banco Nacional de Desenvolvimento Econômic e Social has been published as a study entitled "*America do Sul: Integração e Infraestrutura*" (online at http://www.capaxdei.com.br). Within the global integration process of BRICS development, an important milestone was the memorandum of understanding signed by China, Brazil and Peru during the tour of the region by Chinese Premier Li Keqiang in May 2014. The document includes the study for a 5,300 kilometre long rail link between the Peru's Pacific coast and Brazil's Atlantic coast. Such a strategic axis would be part of an in-depth socioeconomic transformation of the South American continent.

Africa's population recently exceeded a billion people of which a vast majority is young. Together with its huge natural assets it could bring itself out of poverty and free itself from the anonymous neocolonialism of international finance, if a genuine and solid alliance with BRICS is worked out and the continent escapes modern forms of colonisation such as land grabbing.

South Africa: has the historic mission of becoming a bridge between the entire continent and BRICS. While the challenges are daunting, the potential is extraordinary. Africa's population recently exceeded a billion people of which a vast majority is young. Together with its huge natural assets it could bring itself out of poverty and free itself from the anonymous neocolonialism of international finance, if a genuine and solid alliance with BRICS is worked out and the continent escapes modern forms of colonisation such as land grabbing. Continental integration is required for Africa to achieve greater independence and sovereignty. The fifth BRICS summit held in Durban, South Africa in April 2013 was historic, as for the first time the focus was on independent agricultural, infrastructural and manufacturing development for the African continent. It was a sharp break from old colonialist policies. For the summit's participants, Africa could become a moral test case for contemporary developmental policies. Africa has two priorities—like China it must develop an internal infrastructure to connect its future industrial and technological poles and like India it has to gain food self-sufficiency and security to eradicate the plague of malnourishment and hunger, often brought about by wars and insurgencies foisted from outside. The Programme for Infrastructure Development in Africa prepared by the New Partnership for Africa's Development launched by the African Union lists several useful transnational projects. The challenge is to build a vast integrated north–south and east–west network of highways, energy and telecommunication links and above all fast railways. Water is one of the continent's most precious resources and ambitious riverbed projects must be carried out to produce food and power. An urgent priority is to halt the expansion of the Sahara desert and reclaim vast barren territories lost to agriculture and habitation. In this respect, a visionary but feasible scheme is Project Transaqua that entails digging a canal from the Congo River to the drying up Lake Chad (online at http://www.transaquaproject.it).

EUROPE'S ROLE

The EU and other European countries could play a key role if they adopt the requisite strategies for global reform and are not content merely to garner a few contracts. Without the EU and a stable euro, attempts at global reform could remain regionally limited. Facing that challenge demands a maturation of the EU's political attitude. Europe may be gradually forsaking the old precepts of Halford MacKinder's geopolitics. Even the British Royal United Services Institute has invited the EU to support the New Silk Road and the *Financial Times*, after having long attacked it, now concedes that the AIIB may do a better job than the World Bank (online at http://www.ft.com). As is well known, Mackinder's theories provided the theoretical justification for the two world wars. They were founded on two main contentions. The first a Malthusian one that sets in opposition a limited, non-expandable land area with a growing population, so that peoples and nations fight to control land. The second, more prosaic and concrete states, "who controls Eastern Europe controls the continent, who controls the continent controls the world island, who controls the world island controls the planet". Thus, a great alliance of the Euro–Asian continent represents a threat for maritime powers, primarily Great Britain and its empire in its day and the US and its vassals today. In 1991, after the fall of the Berlin Wall, Harvard professor Samuel P Huntington, renowned for his book *The Clash of Civilisations* maintained:

> "At the end of 1990 indeed the main threat to stability and to the balance of power in Europe appears to be the possibility of a major power vacuum emerging in Mackinder's Heartland. ... The political integration of the European Community, if that should occur, would also bring into existence an extraordinarily powerful entity which could not help being perceived as a major threat to American interests" (*Survival*, International Institute for Strategic Studies, January–February 1991).

This evaluation applies equally to BRICS and similar conclusions were worded in the US's 1994 National Security Strategy White Paper that stated, "For most of the century the US has deemed it a vital interest to prevent any power or group of powers from dominating the Eurasian landmass".

Today Europe has been called upon to choose sides. The time has come for it to emancipate itself and promote sovereign politics based on its own interests and founding values. It need not be a policy "against" anyone but rather a policy for stability and global welfare. In the present context, one cannot stay in an ambivalent position as expressed in the 2012 statement of the European Parliament. In it, on one hand the importance of collaborating with emerging economies to face the great international challenges is acknowledged. On the other, "in view of the major divergences with BRICS regarding their political and economic systems, demographic and social trends and foreign policy perspectives" it is suggested that Europe "adopt a nuanced foreign policy, involving separate partnerships and agreements with such countries to build synergies with single BRICS and other emerging countries and discourage the consolidation of alternative groupings of potentially colluding states in terms of foreign policy" ("Proposal for a Resolution of the European Parliament on National Policies of the EU towards the BRICS Countries and other Emerging Powers: Objectives and Strategies", (2011/2111 (INI), online at http://www.europarl.europa.eu).

Such ambiguity must be viewed in the context of the predictions expressed in the same document that in 2050 seven emerging countries (Brazil, Russia, India, China, Indonesia, Mexico and Turkey) would have an economic weight bigger than the G-7. The EU is late on many reforms, both in its internal structure and international projection. However, the decision by various EU members to join the AIIB manifests a newfound decisiveness and initiative. Despite current sanctions on Russia, work is proceeding on various important joint ventures. In Saint Petersburg in June 2015, Yakunin concluded a forty-year agreement, valued at 1.7 billion euros with Joachim Eicholt, Head of Siemens, following an April 2015 meeting in Berlin on the theme "German–Russian Economic Cooperation: The Development and Implementation of Infrastructure projects in the Railway Industry". According to the joint project between Russia, Slovakia and Austria, Vienna will become a logistical hub where trains reach directly from Russia and from where their cargo is shipped across Europe.

Seventy years after Bretton Woods, Europe must choose between actively participating in a Eurasian continental integration or playing second fiddle to the future Transatlantic Pact and Investment Partnership led by the US. It is not a matter of abandoning the American cousins in the middle of the ocean but to help them out of a difficult situation brought about by their own vulnerable unilateralism.

It is no less important that the New Development Bank and the AIIB support long-term investment projects for infrastructure building. In this task they should partner with existing multilateral development banks as well as those belonging to the Long-Term Investors Club including the European Investment Bank, the German Kreditanstalt für Wiederaufbau, the French Caisse des Dépôts et Consignations and the Italian Cassa di Depositi e Prestiti. The club could also serve as a bridge for the participation of private capital (online at http://www.ltic.org). Finally, the industrial, professional and technological capabilities of EU countries would be critical for the success of many projects.