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Climate Change and Inequality: How to Solve These Problems Jointly?[1]

L. Grigoryev, I. Makarov, A. Sokolova, V. Pavlyushina, I. Stepanov

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Abstract

In recent decades, economic growth in developing economies and the growth of the middle class lead to a surge in energy consumption and greenhouse gas emissions. Within the framework of the United Nations (UN) sustainable development goals established in 2015, the solution to poverty and inequality thus comes into conflict with climate change mitigation.

The existing international system of climate regulation does not address this contradiction. Today, global climate governance relies on estimates of aggregate emissions by countries without considering their level of development and the distribution of emissions among income groups within each country. Emissions from production are being monitored, while consumption-related emissions, albeit known to experts, rarely underlie decision-making. Meanwhile, income distribution has a higher impact on consumption-based emissions in comparison to production-based ones. Decisions on emissions regulation are made at the national level by countries with different development agendas in which climate change mitigation often gets less priority in comparison to other socio-economic objectives.

This paper proposes a set of principles and specific mechanisms that can link climate change and inequality within a single policy framework. First, we highlight the need to modify the global emission monitoring system for the sake of accounting for emissions from consumption (rather than production) by income groups. Second, we suggest the introduction of a new redistribution system to address climate change which would include the imposition of a "fine" on households with the highest levels of emissions. Such a system follows the principles of progressive taxation but supports climate mitigation objectives and should be understood not as taxation of high incomes but rather as payment for a negative externality. Third, we outline the need to adjust climate finance criteria; priority should be given to projects designed to reduce carbon-intensive consumption by social groups entering the middle class, or to help the poorest population groups adapt to climate change. A special role in the implementation of these principles may belong to BRICS (Brazil, Russia, India, China and South Africa), which may view this as an opportunity for a proactive transition to inclusive, low-carbon development.

Key words: climate change; inequality; energy consumption; greenhouse gas emissions; sustainable development

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[1] The editorial board received the article in August 2019.

Introduction

In global governance research and practice, problems of climate change are traditionally considered at the country level, and do not engage the question of the distribution of responsibilities for emissions within countries. However, the dynamics of global emissions are determined not only by countries, but by specific population groups within them – primarily groups with relatively high incomes and corresponding consumption patterns.

High household incomes in developed countries and the increasing incomes of the wealthiest population groups in developing economies lead to high and ever-growing energy consumption – by the transportation sector and households, by companies producing consumer goods for their needs, and by the government producing public goods. This consideration may seem trivial, but the dynamics of emissions should be considered, raising the question of what happens when a country or a social group moves from relative poverty to a higher level of income.

At the country level, climate change is often analyzed with regard to the stage of a country's industrialization, and its progress transitioning to a post-industrial economy [Bell, 1976]. Developed counties have to a large extent finished this transition. Rapid economic growth in recent decades has brought many "third world" countries out of extreme poverty. Leading developing countries such as China, Brazil, and the countries of Southeast Asia have achieved significant success in moving toward a decent standard of living [Grigoryev, Pavlyushina, 2018].

If we measure the progress in gross domestic product (GDP) per capita growth and the success in overcoming poverty, the world, of course, shows good results [Grigoryev, 2016]. However, the question arises: is the world moving toward sustainable development, in particular toward achieving the sustainable development goals (SDGs) approved by almost 150 countries for 2030? One of the key problems is how to link the observed increase in incomes and the associated increase in energy consumption with climate change mitigation, and in particular, with the need to limit the global temperature rise to 2°C above pre-industrial levels, which is the goal set by the Paris Agreement [2015].

By 2018, global GDP (purchasing power parity (PPP), constant 2011 Intl$) increased by 155% compared to 1992, and GDP per capita went up by 78% [World Bank, n. d.]. Of course, the efficiency of production and consumption has significantly increased, and for this reason greenhouse gas emissions increased only 55% by the end of this period, reaching a plateau in recent years [Olivier, Peters, 2018]. But the result is far from sufficient: in order to achieve the 2-degree target, zero net carbon emissions are needed.

Taking into account the current state of international cooperation and technical progress, a solution to the climate change problem is impeded by the following issues:

- not all clean technologies with the necessary parameters will be invented in time;
- not all invented technologies will be available where they are most needed due to the mechanisms to protect intellectual property rights;
- funding of the ambitious objectives of climate change mitigation and adaptation is still a problem that has not been resolved in international climate negotiations;
- measures to cope with climate change in a number of developed and developing countries depend on electoral cycles that are difficult to synchronize to jointly solve global problems; and
- the ability of world elites to compromise in order to solve global problems is limited, which is reflected in geopolitical conflicts, in the slow decision-making process of the United Nations Framework Convention on Climate Change (UNFCCC) [1992], and the framework nature of the Paris Agreement [2015].

This paper argues that climate action (SDG 13) should be considered together with the task of reducing inequality (SDG 10). This paper outlines a system of principles bridging solutions to these two problems within a single policy framework. It is not the first attempt of this kind. For instance, L. Chancel and T. Piketty [2015] underline the importance of progressive carbon taxation and provide a positive example of a global tax on air tickets; however, this is too limited to serve as a global solution. J. Davies, X. Shi and J. Whalley [2014] consider a hypothetical global carbon tax, income from which is supposed to be redistributed among the poor in order to mitigate significantly the effects of carbon regulation on inequality. However, the authors themselves recognize that such a tax is a practical impossibility under the existing system of global governance.

Our proposal is based on a more feasible decile approach to the regulation of carbon emissions, suggesting that different regulatory instruments should be used for different income groups – from early warning measures for deciles which only approach the middle-class level to a full-fledged climate tax for wealthy strata. Under such a system of measures, taxes on consumption by wealthy social groups could be the main source of funds for climate change mitigation and adaptation worldwide. Further allocation of these funds could be focused on providing access to clean technologies and green consumption practices to social groups that are on the verge of transition to a "consumer society," as well as supporting adaptation to climate change in poor countries, where it causes the greatest damage to the population.

In addition to accumulating funds to address climate change, the proposed system of measures would contribute to a more equitable distribution of income, aiming to solve the systemic problem of growing inequality. It is essentially an alternative to the system of global progressive taxation that has been discussed widely in the last few years [Piketty, 2014]. However, it is an alternative which is comprehensive and fair. First, the system proposed in this paper can be interpreted as a compensation for negative externalities necessary to solve a global problem, rather than as an income tax. Second, it focuses on segments of society that have the financial resources not only for consumption but also to solve global problems. It is fundamentally important that this applies not only to developed but also to emerging economies, where the high-income groups may well share the responsibility for emissions with similar strata in the developed world.

The BRICS grouping of Brazil, Russia, India, China and South Africa may play a crucial role here. It is they who represent a substantial share of the world's poor and are among the world's largest emitters. At the same time, they have growing middle classes, which are adopting western-style patterns of consumption, and also some wealthy strata with incomes comparable to those of the wealthiest strata in the developed countries.

The paper is structured as follows. First, it provides an overview of theoretical ideas about the relationship between income growth (and related inequality growth) and emissions. Then, it demonstrates how income distribution is related to the distribution of emissions in practice, using the cases of four countries that provide a fairly diverse coverage. Reasons are discussed for the limited ability of the current climate regime to respond to rising incomes and the transition of large population groups in developing countries to the middle class. A number of principles aimed at improving the international climate change regime are proposed, and several conclusions are offered.

The Relationship Between Income and Greenhouse Gas Emissions: An Overview

The simplest way to show the interrelation between human impact on the environment and the level of income is the IPAT model (where impact (I) is the product of population (P), affluence (A) and technology (T)) [Ehrlich, Holdren, 1971], which was later adapted to the case of greenhouse gases [Kaya, 1989]:

$$E = P \times \frac{Y}{P} \times \frac{E}{Y},$$

where E = emissions, P = population, Y = GDP, $\frac{Y}{P}$ = GDP per capita and $\frac{E}{Y}$ = carbon intensity of GDP.

Based on this identity, it can be inferred that as the population and GDP inevitably grow on a global scale it is necessary to reduce carbon intensity in order to combat climate change, which is possible through technological development [Gates, Gates, 2016]. This is already partially implemented in practice. However, technological innovations occur mainly in developed countries, where population growth is minimal or even negative, while income growth is small. At the same time, in developing countries growing populations living in expanding economies are engaged in economic activity using the old and less energy-efficient technologies which are largely responsible for emissions growth [Han, Chatterjee, 1997]. Therefore, it is important to develop new technologiesprimarily in the leading developing countries.

In reality the story is more complicated: a growing population in the poorest countries, even with outdated technologies, has a minimal impact on emissions due to the extremely low level of consumption. To take into account the difference in consumption, instead of the IPAT model it is more appropriate to use the ICAT model, where C denotes consumption, or the ImPACT model [Waggoner, Ausubel, 2002; York, Rosa, Dietz, 2003] which in terms of greenhouse gas emissions can be presented as follows:

$$E = P \times \frac{Y}{P} \times \frac{C}{Y} \times \frac{E}{C},$$

where C = consumption, $\frac{C}{Y}$ = consumption rate, $\frac{E}{C}$ = the intensity of carbon consumption

The main danger for the climate is not demographic or economic growth, but rather growth in the number of consumers who are adopting a lifestyle with a higher carbon footprint while still using outdated technologies. The growing numbers of such consumers in China, India and other leading emerging economies has resulted in an increase of emissions in recent decades, and this will determine the dynamics of emissions in the future. The international climate regime that concentrates on country-level emission estimates does not take this factor into account.

Another important instrument that can be used to examine the connection between emissions and income is the environmental Kuznets curve. Many scholars have tested the hypothesis that the relationship between emissions per capita and incomes has an inverted U-shaped curve (for an overview, see D. Kaika and E. Zervas [2013a; 2013b]). The environmental Kuznets curve reflects the argument that structural changes are the result of growth in income per capita: in the beginning, an extensive expansion of production contributes to per capita growth and leads to a rapid increase in greenhouse gas emissions. However, after reaching a certain income level, the sectoral structure of the economy changes and becomes led by services. More modern, cleaner technologies are introduced, and both people and government begin to place a higher value on the environment, while dirty industries are transferred to lower-income countries [Van Alstine, Neumayer, 2010].

However, the environmental Kuznets curve is a theoretical hypothesis and empirical testing in the case of greenhouse gas emissions yields very contradictory results [Kaika, Zervas, 2013a; 2013b]. In most cases, as income increases, emissions increase as well. Most empirical studies come to the conclusion that the world is still far from the point at which emissions would be expected to decline. Further, they conclude that this can be achieved only with a level of income per capita that will remain unattainable for most of the world's population for several decades [Stern, 2015; Uchiyama, 2016].

Most of the estimates of the environmental Kuznets curve are applied to production-based emissions. But it is even more interesting to test the curve for consumption-based emissions – those associated with the production of all goods consumed in a country, including those that are produced abroad and then imported. Such estimates show no inverted U-shaped form at all: consumption-based emissions increase monotonically with the rise of incomes [Makarov, 2018; Mir, Storm, 2015]. The more a country or social group consumes, the more emissions it produces.

This idea has encouraged the bulk of research on carbon inequality; evidence shows that wealthier social groups are responsible for much greater emissions than poorer ones [Chancel, Piketty, 2015; Gore, 2015]. Chancel and Piketty [2015] revealed the significant rise of such inequality within countries over the last decades with a simultaneous decrease of carbon inequality between countries. The rise of carbon inequality is especially rapid in emerging economies, where incomes have been growing rapidly over the last few decades but the elasticity of emission by income is not decreasing. In China, the poorest households historically consumed so little energy that they produced almost no emissions (only 10% of all emissions come from the 10th decile), while the top 50% are responsible for over 80% [Li, Wang, 2010]. In India, relatively wealthy households (with income of $10 per capita per day and higher) emit twice as much in volume as all other households combined [Grunewald et al., 2012]. These two examples are representative of other countries with similar levels of development. This means that further income growth in these countries, which will lift large numbers of people out of poverty, will be accompanied by a huge increase in emissions despite positive trends in the energy efficiency of firms and household consumption.

Thus, climate change mitigation and coping with poverty and inequality are in many ways mutually exclusive goals – in the modern world, success in addressing one challenge inevitably leads to the aggravation of the other.

The Relationship Between the Dynamics of Income and Greenhouse Gas Emissions

The increase in energy consumption and related greenhouse gas emissions on the path from poverty to prosperity is uneven. First comes the transition from energy poverty to minimal energy consumption, a transition that significantly improves living standards but has little effect on global emissions. A more radical shift in the type of consumption occurs when a social group enters the middle class. This creates an increase in demand for heating and cooling of residential and public buildings, an active use of transport based on fossil fuels, and an increase in demand for final consumer goods and services, from meat to travel. The intermittent increase in energy consumption at the stage of the expansion of the middle class leads to lifestyle changes at the level of the household and society as a whole.

So far, relatively few studies focusing on the distribution of emissions by population groups have been published. According to B. Milanovic [2016], "there is an unevenness in carbon emissions that is seldom recognized and on which empirical research is lacking, despite the availability of data. One could easily estimate the distribution of CO_2 emissions across the world population by income group and not, as is done today, by country. If income elasticity of carbon emissions is unitary (i.e., a 10% increase in real income entails a 10% increase in carbon emissions), then the Gini coefficient of global carbon emissions is around 70 points, which would mean that more than one-half of all emissions are made by the global top 10%. Almost all the people in the top world decile come, as we know, from rich countries. Not from Africa." T. Gore [2015] provides very similar estimates: 10% of the world's most affluent population actually produces almost half of global emissions. Chancel and Piketty [2015] made the same calculations using elasticities 0.7, 0.9 and 1.1 and obtained similar results (Table 1).

Table 1. Share of CO_2 Emissions Concentration, 2013 (%)

Elasticity	Top 1%	Top 5%	Top 10%	Middle 40%	Bottom 50%	Bottom 10%
0.9	13.8	31.5	45.2	41.8	13.0	1.2
0.7	9.9	26.6	40.0	44.8	15.3	1.5
1.1	19.0	38.0	51.3	38.0	10.7	0.9

Source: [Chancel, Piketty, 2015].

A consideration of global carbon inequality helps to describe a general picture, but it has limited practical value. It is more important to monitor distribution of emissions within individual countries. A database of emissions related to a quintile/decile has yet to be formed. However, it is possible to examine individual countries using data taken from various sources. In some cases, the data describes emissions, in others it shows energy consumption, closely correlated with emissions.

Table 2 shows data for the United States. It demonstrates that the emissions of the first quintile of the population are already very high (approximately equal to emissions of an average person in France), while per capita emissions for the third quintile are much higher than per capita emissions in almost all countries.

Table 2. The U.S. Average Household Income and CO_2 Emissions per Quintile, 2002–04

Quintile	Income ($ Thousands)	Emissions (t)	GDP per Capita, PPP 2000, Intl$ Thousands
1	13.7	4.7	12.3
2	24.6	7.1	24.5
3	36.0	9.2	35.8
4	52.1	11.4	51.3
5	102.4	18.5	106.0
Average	*45.8*	*10.2*	*51.0*

Sources: [Shammin, Bullard, 2009; World Bank, n. d. (authors' calculations)].

The data for the United Kingdom (Table 3) is similar to the data for the United States. Already, for the second decile of income distribution, the levels of wealth and energy consumption are high by global standards.

The U.S. and UK examples provide an idea of the nature of the distribution of income, consumption and emissions in the Anglo-Saxon world. Mexico has an above-average level of development, characterized by high income inequality and inequality in energy consumption (Table 4). For example, the emissions of the fifth quintile exceed emissions of the first by 4.5 times. The tenth decile in Mexico has an income of more than $60,000 per capita, which is significantly higher than the average income in developed countries. Patterns of consumption for this decile are not significantly different from the western ones (although it is less carbon-intensive in comparison to Anglo-Saxon countries).

Table 3. Average Annual Energy Consumption per Household by Decile (kW*h) in the UK, 2004–07

Decile	Electricity	Gas	Total	GDP per Capita, PPP 2008, Intl$ Thousands
1	2.608	8.758	11.366	9.9
2	2.967	10.631	13.598	16.8
3	3.204	11.767	14.971	23.0
4	3.510	12.750	16.260	
5	3.715	14.259	17.974	31.0
6	3.942	14.497	18.439	
7	4.263	15.538	19.801	42.5
8	4.393	16.498	20.891	
9	4.845	17.815	22.660	57.6
10	5.585	20.670	26.255	99.7
Average	*3.903*	*14.318*	*18.221*	
Median	*3.426*	*13.413*	*16.839*	

Source: [White, Roberts, Preston, 2010; World Bank, n. d. (authors' calculations)].

Table 4. CO_2 Emissions From the Household Use of Main Types of Home Equipment by Emission Deciles (Mt of CO_2, %) in Mexico, 2006

Decile	Decile's Emissions, Mt of CO_2	Decile's Share in Total Emissions, %	Decile's Share in Total Income, %	Emissions per Household, t CO_2	GDP per Capita at PPP 2008, Intl$ Thousands
1	1.3	2.8	1.2	0.5	2.8
2	2.1	4.4	2.7	0.8	4.7
3	2.8	5.9	3.8	1.1	7.0
4	3.3	6.9	4.8	1.2	
5	3.8	8.1	5.9	1.4	10.2
6	4.4	9.3	7.3	1.7	
7	5.0	10.6	9.1	1.9	15.4
8	5.9	12.4	11.8	2.2	
9	7.0	14.7	16.4	2.6	24.0
10	8.5	17.8	37.1	3.2	61.5
Total	*44.0*	*92.9**	*100*	*1.7*	*15.8*

Source: [Rosas, Sheinbaum, Morillon, 2010; World Bank, n. d. (authors' calculations)].

Note: * Not 100% of household emissions can be distributed by deciles.

The data for China is generalized and fragmented (Table 5). It demonstrates that the share of emissions of the tenth decile is six times higher than the average share of emissions in the second–fifth deciles. The tenth decile creates 28.3% of national emissions. It is possible that, due to income growth in recent decades, the ninth and even eighth decile (reflected in Table 5 as part of the top 40%), could achieve the same level of consumption and related emissions now or in the near future.

Table 5. Distribution of CO2 Emissions in China by Income Group, 2002

Grouping*	**Tons of CO_2 per Capita**	**Share of Population, %**	**Share of Emissions, %**	**Annual Consumption Expenses (RMB per Capita)**	**GDP per Capita at PPP 2008, $ Thousands**
10th Decile	6.3	7.6	28.3	9.974	25.3
Top 40%	2.5	35.6	51.8	4.831	
Bottom 40%	0.7	44.0	18.3	1.727	
1st Decile	0.2	12.8	1.6	864	1.6

Source: [Li, Wang, 2010; World Bank, n. d. (authors' calculations)].

Note: *In the source "decile" means not one tenth of the population, but a group of people with significantly different incomes, whose number is close to one tenth.

The data for these four countries is very fragmentary. However, even these statistics are enough to form a picture describing realities of the global distribution of emissions by income groups.

We do not have enough data on the BRICS countries to create a reliable picture of the distribution of emissions among income groups. But it is these countries that will be responsible for most of the increase of global emissions in coming decades. This increase will be determined primarily by the expansion of the middle class with western-style consumption patterns and the rising consumption of the top income deciles.

The BRICS group consists of economies with substantial differences in the level of development and economic growth models. China, while being comparable in population with India, produces almost 2.5 times as much per GDP (PPP). The dispersion of GDP (PPP) per capita in current prices within BRICS was 3.9 times greater in 2017. At the same time, South Africa demonstrates the highest social inequality, while being in the middle of the distribution. In 2017, the share of income in the wealthiest (10th) decile was 50.5% in South Africa, 40.4% in Brazil, 31.4% in China, 29.8% in India and 29.7% in Russia.

BRICS countries are the first that are shifting from low and middle to high incomes in a world constrained by concerns about emissions and fossil fuels. If they make this shift using conventional development models and following western consumption patterns, we will definitely have a climate catastrophe. Therefore, the crucial question of global climate action is whether Brazil, Russia, India, China and South Africa are able to adopt climate-friendly pathways on their way to prosperity which could be later used as a template for less-developed countries like Indonesia and those in Sub-Saharan Africa.

Table 6. Inequality in BRICS and Population, 2017*

	Income Share							Population, Millions
	Highest 10%	Highest 20%	Fourth 20%	Third 20%	Second 20%	Lowest 20%	Lowest 10%	
Brazil	41.9	57.8	19.5	12.2	7.4	3.2	1	209.5
Russia	29.7	45.3	21.5	15.2	11.1	6.9	2.8	144.5
India	30.1	44.4	20.5	15.2	11.7	8.1	3.5	1352.6
China	29.4	45.4	22.3	15.3	10.6	6.4	2.6	1392.7
South Africa	50.5	68.2	16.5	8.2	4.8	2.4	0.9	57.8

Source: [World Bank, n. d.].

Note: *Or latest available year.

The Current Climate Change Regime and Its Shortcomings

Coping with global climate change requires the coordination of efforts among all leading countries. The main document that declares the objective to combat climate change is the UN Framework Convention on Climate Change adopted in 1992 [UNFCCC, 1992]. The quantitative commitments to achieve this objective were specified in the Kyoto Protocol adopted in 1997.

The Kyoto Protocol played an important role in the development of international climate cooperation, but it was ineffective in and of itself. Its targets were too weak, and it was unable to consider the major shifts that occurred in the world economy in the 1990–2000s. These shifts included the deep structural crises in economies in transition, and the transformation of a number of developing countries into developed ones (for example, Korea and Singapore). And most importantly, being concentrated on wealthy countries, the Kyoto Protocol did not adequately address the challenge of rapid economic growth in India, and especially in China, which transformed these countries into leading emitters of greenhouse gases. From 1990 to 2012, China and India increased greenhouse gas emissions by 3.6 and 2.4 times, respectively. This increase more than offset the reduction of emissions in developed economies.

In 2015, the Kyoto Protocol was replaced by the Paris Agreement, which has already entered into force, having been ratified by 189 countries to date. Unlike the Kyoto Protocol, it is non-binding in terms of emissions reduction, but it is universal: it includes developing countries as full participants. In addition, the Paris Agreement is based on the bottom-up principle: countries themselves set their own emission reduction goals (the so-called "nationally determined contributions" (NDCs)) based on their energy development plans, growth of carbon-intensive industries, and the economy as a whole [Makarov, Stepanov, 2018; Savaresi, 2016]. Basically, these goals are nothing more than benchmarks for the states declaring them. Moreover, even their full implementation will not make it possible to reach a temperature increase pathway of less than 2°C compared to the pre-industrial era [Climate Action Tracker, 2017]. Donald Trump's declaration on the withdrawal by the U.S. from the Paris Agreement makes the situation even worse.

In certain sense, the Paris Agreement delegates the definition of emission reduction pathways to the national level, leaving to international climate cooperation only the function of coordinating national climate policies. However, at the national level, mitigation policies will inevitably remain a derivative of the social and economic policies of individual countries that are at different stages of development and have different strategic priorities and tactical agendas [Victor, Jones, 2018]. This limits the scope for coordinated action by governments and civil societies on a global scale.

In developing countries, emissions growth is still closely associated with income growth. The surge in energy consumption does not occur at the stage of overcoming poverty (during which energy consumption is low). Rather, it is tied to later stages of development, leading to rapid motorization, wider use of air conditioning, complication of lifestyle, and increased mobility, among other trends. A failure to consider changes in the social structure of the economy and the different carbon footprints of various income groups will make ambitious reductions in emissions more difficult.

The established international climate change regime cannot prevent the spread of western consumer behaviour patterns to emerging economies, where large groups of people are entering the middle class and expanding their consumption of goods and services that are still produced using outdated carbon-intensive technologies. Nor can it prevent the carbon-intensive consumer behaviour of middle- and upper-income deciles in developed countries, which already follow this consumer model to the full extent. Even if considerable financial resources are accumulated, the solution to these problems is barely possible within the current system of international climate institutions.

First, the existing system of international cooperation is based on counting emissions by countries as a whole. It does not capture the forces driving the growth of emissions within each country. Decisions on specific emission reduction mechanisms (taxes, emissions trading, subsidies for the development of clean technologies, etc.) are also made at the country level. At the same time, the goal to reduce emissions in many economies contradicts other national goals including raising living standards, ensuring energy security, promoting economic growth, and so on. The story is even more complicated due to electoral cycles that can impede long-term decisions.

Second, the international climate change regime is based on tracking domestic emissions (so-called production-based emissions), and not those emissions that occur in the production of goods consumed in a country (so-called consumption-based emissions) [Davis, Caldeira, 2010; Makarov, Sokolova, 2014]. Changes in income levels and consumption patterns affect production-based emissions to a much lesser extent, as long as some emissions are generated for the production of goods exported to other countries (in the leading emerging economies the share of emissions embodied in exports can be very high). Since the relationship between production-based emissions and the social structure of a society is not direct and obvious, the issue of accounting for emissions by income group has traditionally received little attention. At the same time, while the relationship between the social structure and consumption-based emissions is direct and strong, the consumption-based approach remains beyond the interests and responsibilities of international organizations [Steininger et al., 2014].

Third, the current system of international institutions is based on a polycentric approach [Cole, 2015; Oberthür, 2016; Ostrom, 2014]. Today, the list of international organizations which deal with climate change include a range of institutions within the UN Framework Convention on Climate Change, the World Bank (financing climate-related projects), the UN Environment Programme (UNEP) and others. The Group of 20 and BRICS are also paying more and more attention to climate change issues. Climate change research is the responsibility of the Intergovernmental Panel on Climate Change (IPCC). Certain aspects of the problem are dealt with by specialized international organizations such as the Food and Agriculture Organization

(FAO), the UN Development Programme (UNDP), the International Energy Agency (IEA) and the World Trade Organization (WTO). Combating climate change is also a part of the SGDs adopted at the UN General Assembly. In parallel, there is a network of highly influential and financially supported international non-governmental organizations (World Wildlife Fund (WWF), Greenpeace, Oxfam, etc.) as well as various research institutes. Finally, significant efforts to combat climate change are made in different countries, regions and municipalities, as well as at the level of individual companies.

This diversity has its advantages, such as greater flexibility and independence from the decisions of specific individuals. At the same time, it is characterized by a lack of coordination between different institutions. This makes it extremely difficult to balance the inherently conflicting goals of reducing poverty/inequality and reducing greenhouse gas emissions.

Modifications to Global Governance in Climate Change Based on the Decile Emission Management Approach

It would be useful to supplement the existing system of institutions with add-ons that will allow:

- coordination of work on the achievement of two SGDs – climate action (goal 13) and reducing inequality (goal 10) – in order to prevent conflict between them, and strengthening of the interaction of institutions addressing inequality and climate change;
- creation of a system of incentives for wealthy households and households with growing incomes that will encourage them to restructure their consumption in accordance with the requirements of emission reduction; and
- access to relatively less carbon-intensive technologies and consumer behaviour patterns for households on the threshold of a transition to a consumer society.

The implementation of these goals is possible through the following mechanisms.

Consolidation of Efforts by Scientists and Experts

It is appropriate to create a special working group that monitors countries' emissions and operates under the auspices of the World Bank (possibly in collaboration with the UN Department of Social and Economic Affairs, the IPCC, the Organisation for Economic Co-operation and Development (OECD) and the IEA). Its functions could focus on several aspects of emissions accounting. First, it could consider consumption-based emissions. Strictly speaking, it is not important where greenhouse gases are emitted, but rather for what purpose they are emitted. Emissions accounting based exclusively on the production approach leads to carbon leakage [Aichele, Felbermayr, 2013] and prevents the rise of climate action ambitions even in enthusiastic societies. Developed countries which would no longer have carbon-intensive production would continue to report on green development, although their emissions from consumption as well as global emissions would keep growing. Second, it could take account of the structure of emissions in relation to different income groups within countries, as well as changes in this structure resulting from economic development. Third, it could make projections of emissions by country taking into account expected economic growth and the evolution of income distribution within countries.

Ultimately, conceptualizing a quintile/decile approach to analyzing country-level emissions could help the special working group to identify key population groups whose incomes in the future will determine the dynamics of emissions in a given country.

Development of a New Regulatory System for Income Groups That Have Achieved Income Thresholds

Incentives should be calibrated, starting with some signaling measures for groups that are on the threshold of joining consumer society, and ending with a full-fledged carbon tax on high-income deciles. Such a system of redistribution is fiscally progressive, but it is different from progressive income taxes in that revenues are spent on specific climate-related measures.

Linking the social structure of society with the concept of consumption-based emissions, it is possible to divide countries' income quintiles/deciles into several groups with corresponding policy measures.

Group A includes deciles above the threshold of GDP per capita of $15,000 (PPP, constant 2011 Intl$) which corresponds approximately to the level of development of "middle-income countries" according to the classification scheme of the International Bank for Reconstruction and Development (IBRD). This group is characterized by increased use of vehicles and motor fuels, increased consumption of durable goods, in particular heating and cooling systems, and growing mobility, among other things [Grigoryev, Pavlyushina, 2019]. Entry to the group is followed by a fundamental shift in the patterns of everyday consumption, as well as by a surge in the consumption of public services and the use of public buildings.

Regulatory measures targeting this group should be signaling in nature, including carbon labeling of products, carbon certification of projects, voluntary carbon pricing, and measures to increase public awareness (education programmes).

Group B includes deciles above the threshold of GDP per capita of $25,000 (PPP, constant 2011 Intl$) which corresponds approximately to the level of "upper-middle income countries" according to the IBRD's classification. This income level is associated with the transition to large volumes of consumption of energy-intensive goods and services. This threshold is being met by the high-income groups in the developing world which are guided by the "western lifestyle." The rapid growth of wealth serves as a prerequisite for the intermittent growth of personal consumption, including energy consumption.

The regulatory system for this group should include intermediate incentive mechanisms: some elements of carbon pricing that are not yet punitive in nature. In essence, these measures should be a hybrid combining voluntary donations with the full carbon price in the form of a carbon tax or an emissions trading system.

Group C includes deciles above the threshold of per capita GDP of $40,000 (PPP, constant 2011 Intl$) which corresponds approximately to the current income of the upper-income deciles in developed countries and the richest deciles in emerging economies. These groups have an opportunity to change their consumption patterns for the better. They can afford a balanced diet, modern homes, and healthier lifestyles. The shift toward energy-efficient homes and hybrid/electric vehicles may lead to some slowdown in the growth of energy consumption compared with lower income groups.

The system of regulatory measures for this group should include the full price of carbon, which can take various forms: a carbon tax or a carbon sales tax (VAT) with tax deductions for low-income groups of the population; excise and/or carbon duties on goods consumed by upper-income groups; progressive income tax, and so on. The measures may vary with respect to distribution of income, features of the fiscal system, the role of other taxes, and features of individual national economies.

The described differentiation of income deciles in the leading countries was carried out on the basis of a modified decile indicator of income inequality, attaching a certain amount of production per capita to each decile in proportion to the decile income distribution [Grigoriev, Salmina, 2013]. The proposed indicator – imputed decile GDP per capita – indicates the level of GDP per capita of households which belong to a specific decile (in a given country) under the assumption that the share of decile income is equal to the share of decile productivity (contribution to the country's GDP) [Grigoriev, 2016]. Based on the calculation of the imputed decile GDP per capita, the following distribution of carbon regulation measures is proposed for different countries (Table 7).

Table 7. The Proposed Threshold System for Simulating Emission Reductions for Various Income Quintiles by G20 Countries, 2015*

	Imputed Decile GDP per Capita, $ Thousands			**Quintile Number From Which Certain Incentive Measures Start**		
	In the Whole Country	**5 Quintile**	**10 Decile**	**A**	**B**	**C**
Argentina	18.9	22.5	29.0	3	4	5
Australia	41.4	43.6	54.9	1	2	3
Canada	40.7	41.7	52.4	1	2	4
France	37.3	38.5	50.1	1	3	4
Germany	42.7	41.2	50.6	1	2	4
Indonesia	9.7	11.5	15.4	5	–	–
Italy	35.2	36.7	46.3	2	3	4
Japan (2008)	36.3	36.0	44.9	2	3	4
Mexico	16.3	22.2	32.4	4	–	5
Turkey	18.8	21.8	28.7	3	–	5
Great Britain	36.7	36.7	45.2	2	3	4
U.S.	51.0	59.2	76.9	1	2	3
BRICS						
Brazil	15.2	21.3	30.8	4	5	–
Russia	24.9	30.1	40.1	3	4	5
India	4.6	5.1	6.9	–	–	–
China	11.1	13.3	17.5	–	5	–
South Africa	12.2	21.1	31.4	–	–	5

Source: [World Bank, n. d. (authors' calculations)].

Note: *The table includes data for G20 countries except Korea, Saudi Arabia and the EU.

All of the proposed measures should be based on the principles of transparency, involve clear mechanisms of fundraising, and focus on commonly shared objectives. The measures taken by each country should be declared in advance, as in the system of nationally determined contributions (NDC) used in the Paris Agreement.

In other words, states should declare not only the targets (like the current NDCs), but also the tools of emission reduction which would be employed. These tools do not have to be reintroduced – existing taxes may be taken into account in order to avoid triple taxation (progressive income tax in some countries, tax on energy-intensive goods, and new incentives). With a new system of reporting, it would be much easier to check whether the principle of additionality is respected, i.e., whether the undertaken efforts are new. In the case of declaring targets alone, the latter can be achieved for natural reasons, without any additional efforts, but it is almost impossible to prove it.

Building a System to Accumulate Funds

The funds that could be accumulated using taxes on high deciles, on the one hand, depend on the model calculations dedicated to ensuring that the temperature does not rise above 2°C; this will inevitably be a subject of negotiations between governments and civil society. Obviously, the amount of funds that could be agreed to by all parties cannot be too high. It is unlikely that the climate tax on wealthy deciles will raise funds sufficient to fulfill the formal purpose of the Paris Agreement, and one should not necessarily strive for that at any cost. It is critically important that the funds raised are above the symbolic level and reflect a compromise between governments, business and civil society. At the early stage, the introduction of the principle of a climate tax on wealthy deciles is more important than the size of the tax. Further, pressure from civil society and political competition will ensure the gradual increase of this tax in many leading countries.

There are two ways to use the collected funds. They can be complementary and implemented in a certain proportion. First, there could be a transfer of funds to a special international climate fund, to be further allocated to finance climate projects that meet the set of criteria (see below). The World Bank could act as the managing body of the fund, and it would guarantee the transparency of allocation. Second, direct investments could be made by countries in projects that meet the same criteria as those funded by the international climate fund. Determining the direction of spending funds without mediation from the climate fund would allow countries to align a solution to climate problems with their own socio-economic or political goals. However, in this case each project must be accredited by a specialized unit of the fund.

BRICS countries are key actors in the described process. Moreover, they may initiate it. For BRICS countries, the major condition of low-carbon development is its inclusiveness and consistence with other development goals such as eliminating poverty, reducing inequality and ensuring universal access to basic goods, including energy. The conventional model of climate policies based on carbon pricing and subsidizing renewables has been developed and applied relatively successfully in the western world; however, it hardly meets these criteria. The French "yellow vests" movement shows that achieving low-carbon ambitions is a challenge even in the developed world. In BRICS countries, where societies are already highly unequal and there is a need to weaken any fiscal load on the poor, this model is especially difficult to apply. BRICS countries require some strong alternatives to be put into place; linking carbon pricing to progressive income taxation may be one of them.

Moreover, BRICS countries already have some joint institutions which may give them the opportunity to launch their own mechanisms for climate funding and redistribution instead of relying on global ones. For instance, funds accumulated through a progressive carbon tax may be allocated collectively on a project basis via the New Development Bank.

Revision of Criteria for Climate Financing

Funds should be directed mainly to two project types that are not covered by conventional development finance or funds already specified in the Paris Agreement. First, funding should support those projects that: impact the carbon intensity of consumption by groups approaching the threshold values of income; support the cost of providing modern technology and staff training, and; widen education to the respective developing countries. Second, funding should also support projects focused on adaptation in countries where the proportion of poor people is high, and the consequences of climate change may lead to a humanitarian catastrophe.

The source for these investments could be the $100 billion per year that is supposed to be mobilized as climate aid by 2020 (via bilateral aid agencies, international development banks and private initiatives), with further increases in funds in the 2020s. The directions for spending have not yet been determined, and an analysis of the dependence of consumption of carbon-intensive products on incomes will make it possible to clarify efficient criteria for selecting specific projects. Some of the funds are already there; in 2016 there was more than $55 billion, and in 2018 there was around $80 billion. However, attempts to officially define the direction for spending face resistance by developed-country donors. Other possible sources for investments include a new international climate fund, formed by a climate tax on wealthy deciles, and funds provided by individual countries that prefer to independently finance projects accredited by the international climate fund.

Conclusion

The idea of a carbon tax on high-income strata by individual, primarily BRICS, countries or on a global basis will require an action plan. Politically, the accumulation of funds sufficient to prevent a temperature increase above 2°C can hardly be implemented right away at the global level, especially given the current extent of conflict in the international system. The proposed measures are unlikely to be unconditionally accepted by all countries participating in climate regulation because such measures will require the transfer of a significant part of state sovereignty to the supranational level.

At the same time, in the long run the transition to the proposed regulatory system is quite possible for the leading countries. It may be supported by the most active participants in the international climate regime – EU countries and other developed economies (where the share of relatively high income groups is greater), which have more homogeneous interests and are not numerous in comparison to the number of all participants in climate negotiations within the UN. At the same time, it will not affect the low- or middle-income groups by aggravating the problem of poverty or slowing down economic growth in developing economies (especially considering that funded projects will be implemented in those countries). It will also help mitigate the problem of inequality in western economies, which comes to the fore in the political agenda and requires action from political elites.

For BRICS countries the proposed mechanisms may be the instruments of transition toward inclusive low-carbon development – an objective that cannot be achieved through conventional carbon policies. They are also consistent with the SDG agenda which suggests that environmental, social and economic problems should be considered together as a complex issue to be solved jointly.

Launching the proposed system of measures, at least as a framework (starting with monitoring emissions in terms of deciles/quantiles and developing general principles for a climate tax on high-income groups), could play an important role in mitigating the climate change problem. Given the fact that growing inequality is becoming an important factor that hinders economic development in many countries, a progressive tax may become more attractive in the coming years. And it would be beneficial if it is implemented with climate-oriented modifications.

Taking into account the fact that the problem of inequality is becoming more acute, and given the incompatibility of reducing inequality and combating climate change, the solution to both problems is more likely to have a common ground. Even if the proposed system of measures is introduced as a framework, it will attract the attention of many political and civil society leaders. In the future, they would contribute to its full implementation.

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The Digital Economy of BRICS: Prospects for Multilateral Cooperation[1]

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Abstract

The growth of the digital economy has become the most significant trend in global development. The digital economy creates new impetuses for economic growth, but at the same time it deepens global inequality and impacts the growth of countries of the global South. The role of global governance institutions such as the BRICS grouping of Brazil, Russia, India, China and South Africa – the main representative of developing countries in global governance – in the promotion of digital growth has not yet been fully explored. There is also some ambiguity concerning the development level of the digital economy in particular countries. In the context of Russia's third BRICS presidency in 2020, issues of digital development in BRICS have become particularly relevant. The author analyzes current indicators of digital development in the BRICS countries, drawing on several existing methodologies, ratings, and decisions made by BRICS on issues of digital growth and levels of compliance, and makes recommendations for the further development of BRICS' digital agenda.

According to data provided by the Organisation for Economic Co-operation and Development (OECD), the International Telecommunication Union (ITU), the World Bank, the World Economic Forum (WEF), the European Union (EU) and the International Development Institute (IDI), the BRICS countries differ in terms of the maturity of their digital economies. They are characterized by a relatively low quality and affordability of digital infrastructure; additionally, the penetration of information and communications technology (ICT) into business and daily activities in BRICS countries lags behind the world leaders, and data on the quality and efficiency of regulatory and innovative frameworks in the BRICS countries is insufficient. However, decisions made by BRICS on matters of digital growth are followed with a high-average level of compliance. Thus, recommendations for the further development of BRICS' digital agenda are strategic in nature. The author defines three promising areas of cooperation on digital matters during Russia's 2020 BRICS presidency: facilitation of dialog and exchange of best practices supporting digital growth; development of a common BRICS standard offor the production of digital goods and services and; promotion of a common BRICS position on cybersecurity issues.

Key words: BRICS; digital economy; development; global governance

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The emergence and rapid proliferation of *the digital economy* is one of the most significant trends of global development in recent decades. The digital economy and related features such

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as *digitization* (the use of data and digital technologies as well as interconnections that result in new activities, or changes to existing ones [OECD, 2019a, p. 7]), have a significant impact on the global economy, national economies and daily life. The digital economy has accomplished much recently. In 2015, the total value of information and communications technology (ICT)-related trade has surpassed $2 trillion, while production of ICT goods creates about 6.5% of the global GDP. In the same year, exports of ICT services grew by 40% (compared with 2010) and more than 100 million jobs were created due to the spread of ICTs [UNCTAD, 2017a].

However, development of the digital economy creates both opportunities and challenges. Among them is the growing *digital divide* [OECD, 2001] between developed and developing countries characterized by low-levels of penetration of the digital technologies (Fig. 1) that results in de-industrialization of developing countries and increased vulnerabilities [Bukht, Heeks, 2018, p. 146].

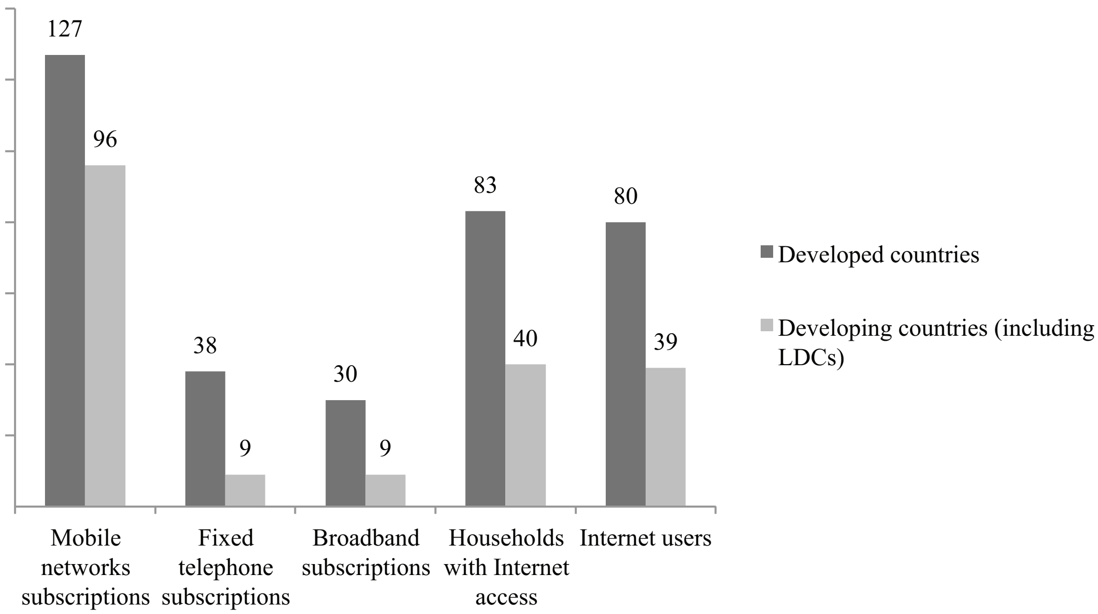

Fig. 1. ICT Penetration in Developed and Developing Countries

Source: [ITU, 2017].

Digitization is closely associated with a growing income divide both in developed and developing countries [European Commission, 2019, p. 16; Zhang, Chen, 2019, p. 18]. It is also linked to growing protectionism in trade in the absence of a universal standard of production for digital goods and services [United States Trade Representative, 2018], and to new threats emerging from cyberspace [Hansen, Nissenbaum, 2009, p. 1161].

The challenges of the digital age attract much attention due to the unexplored nature of the digital economy. A unified mechanism for the measurement and assessment of the digital economy has not yet been introduced, and the lack of reliable statistics on digital development remains a problem. Recent research is generally devoted to issues related to digital growth in high-income countries of the global North rather than of the global South, which is experiencing trouble incorporating ICTs into governance, business activities and labour markets [Bukht, Heeks, 2018, p. 146]. The role of global governance institutions such as the BRICS grouping of

Brazil, Russia, India, China and South Africa – the main representative of developing countries in global governance – in the promotion of digital growth has not yet been fully explored.

Issues related to digital growth are the most recent additions to the BRICS agenda and the BRICS countries themselves are at different stages of digital development. Deep analysis of the national priorities of the partner countries in the digital sphere is the matter of highest priority for the presidency of Russia in BRICS in 2020. Thus, the goal of this article is to provide recommendations for the promotion of Russia's priorities in the digital sphere during its presidency, based on analysis of recent data on digital development in the BRICS economies in accordance with internationally recognized methodologies and toolkits, as well as decisions taken by BRICS on digital matters.

Digital Economy: Definition and Assessment

Despite the growing impact of the digital economy, there is, as of yet, no agreed upon definition of this concept. Don Tapscott was one of the pioneers, among many others, who tried to define the digital economy. In his book, *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*, Tapscott referred to this notion as something that is "based on information of all kinds... transmitted by means of networked technologies" [Tapscott, 2015, p. 16]. In recent decades, more definitions by the United Nations Conference on Trade and Development (UNCTAD), the Organisation for Economic Co-operation and Development (OECD), the World Bank Group, the International Monetary Fund (IMF) and other institutions were introduced (Table 1).

All the above-mentioned definitions, including the definition by Don Tapscott, take the Internet and ICTs as the core of the digital economy regardless of historical and technological context. Some of these definitions also consider the creation of ICTs and ICT-related services as integral parts of the digital economy.

"The near ubiquitous diffusion of information and communication technologies has led to their convergence with other technologies such as biotechnologies and nanotechnologies" [OECD, 2014, p. 18], which complicates not only the conceptualization of the digital economy, but also its assessment. Some experts maintain the connection between the emergence of the new "productivity paradox" economic slowdown in the leading economies, and limitation of currently accepted economic indicators, namely the value of gross national product (GNP), for usage in assessment of the digital economy [Watanabe et al., 2018, p. 226]. Lack of a conventional approach leads to significant divergence in assessments – thus, the digital economy in China produces anything from 6% to 30% of the country's gross domestic product (GDP) depending on the definition used [Zhang, Chen, 2019, p. 4].

Several methodologies form the basis for international ratings of the development of the digital economy. These methodologies can be divided into three groups: first, toolkits built to measure specific parameters of the digital economy; second, ratings based mostly on technical parameters and; third, ratings based on a mixed set of parameters including both statistics and estimations. The OECD Toolkit for Measuring the Digital Economy and the OECD Going Digital Toolkit are valuable sources of essential information on digital growth that can also serve as guidelines for national policy planning. These toolkits are not designed for further ranking of countries in terms of the maturity of their digital economies. The second group, including the ICT Development Index and the Digital Adoption Index, is the most suitable for assessment of the quality of a country's digital infrastructure due to the parameters used, while the third group, consisting of the Networked Readiness Index, the European Union's International Digital Economy and Society Index (I-DESI), and the Institute for Management

Table 1. Definitions of the Digital Economy and Relevant Concepts

Source	Definition of the "Digital Economy" and/or a Relevant Concept	Definitions of Concepts Related to the Development of the Digital Economy
UNCTAD	"The digital economy – the application of internet-based digital technologies to the production and trade of goods and services – ..." [UNCTAD, 2017b, p. 156]	–
WEF	The Internet economy is "purchasing power in the hands of people using the Internet" [Dutta, Mia, 2011, p. 34]	Digitization: "the mass adoption of connected digital services by consumers, enterprises, and governments" [Bilbao-Osorio, Dutta, Lanvin, 2013, p. vii]
OECD	The Internet economy is "the full range of our economic, social and cultural activities supported by the Internet and related information and communications technologies (ICT)" [OECD, 2008, p. 4]. The Internet economy is "the value of all economic activities that are undertaken on or supported by the Internet" [OECD, 2013, p. 6]	Digital divide: "different levels of access and use of information and communication technologies (ICTs) and, more specifically, to the gaps in access and use of Internet-based digital services" [OECD, 2018, p. 11]. Digitization: "the use of data and digital technologies as well as interconnection that results in new, or changes to existing, activities" [OECD, 2019a, p. 7]. Digital infrastructure: "efficient, reliable and widely accessible broadband communication networks and services, data, software, and hardware, are the foundations on which the digital economy is based" [OECD, 2017, p. 28]
IMF	"The 'digital economy' is sometimes *defined narrowly* as online platforms, and activities that owe their existence to such platforms, yet, *in a broad sense*, all activities that use digitized data are part of the digital economy: in modern economies, the entire economy" [IMF, 2018, p. 7]	Digitalization: "the incorporation of data and the Internet into production processes and products, new forms of household and government consumption, fixed-capital formation, cross-border flows, and finance" [IMF, 2018, p. 6]. Digital sector: "comprising the producers at the core of digitalization: online platforms, platform-enabled services, and suppliers of ICT goods and services" [IMF, 2018, p. 7]
G20	"The digital economy refers to a broad range of economic activities that includes using digitized information and knowledge as the key factor of production, modern information networks as the important activity space, and the effective use of Information and Communication Technology (ICT) as an important driver for efficiency-enhancing and economic structural optimization" [G20, 2016]	–

Table 2. Criteria and Examples of Parameters Used for Assessment of the Digital Economy's Development in Accordance With Selected International Ratings and Toolkits

Criteria	Going Digital Toolkit	Toolkit for Measuring the Digital Economy	ITU ICT Development Index	WBG Digital Adoption Index	WEF Networked Readiness Index	EU I-DESI	IMD World Digital Competitiveness Index
Maturity of digital infrastructure	–	Internet connection speed, etc.	3G/4G coverage; Internet connection speed, etc.	Internet downloading speed; 3G coverage, etc.	Electricity generation; mobile coverage, etc.	Broadband/mobile coverage; 4G coverage, etc.	Internet broadband connection speed; wireless connection coverage, etc.
Availability of digital infrastructure	Broadband subscriptions; mobile subscriptions; households with Internet access, etc.	Average Internet connection price, households with Internet access, etc.	Fixed and mobile telephone subscriptions; active mobile subscriptions, etc.	Businesses with Internet presence; households with mobile connection; Internet connection price, etc.	Internet users (share of total population); Internet tariffs; mobile tariffs, etc.	Internet users (share of total population)	Internet users (share of total population)
Labour market	Employment in ICT, etc.	Employment in ICT, etc.	Average schooling years, etc.	–	Intellectual labour jobs, etc.	Share of ICT specialists in of total labour force; STEM graduates, etc.	STEM graduates; digital skills index, etc.
Innovation and regulatory environment	ICT investments (of GDP); ICT venture capital investments; business R&D expenditure, etc.	ICT-related patents, business and public R&D expenditure, etc.	–	Quality of tax administration; quality of public services, etc.	Effectiveness of legislative process; quality of dispute resolution mechanisms; tax burden index, etc.	E-governance index; e-healthcare index	Migration legislation index; investment risks rating, etc.

Criteria	Going Digital Toolkit	Toolkit for Measuring the Digital Economy	ITU ICT Development Index	WBG Digital Adoption Index	WEF Networked Readiness Index	EU I-DESI	IMD World Digital Competitiveness Index
Economic and social impact of digital technologies	Percentage of workers using digital equipment at work, etc.	Share of ICT industries of a country's GDP; ICT industries' contribution to productivity growth, etc.	–	–	Index of ICT impact on business models; ICT impact on availability of basic services, etc.	Internet users with basic and advanced digital skills	–
Society's attitude to digital technologies	Internet users avoiding purchasing via Internet due to security considerations, etc.	Internet users, purchasing via Internet, etc.	–	–	–	Main types of information consumed by Internet users; main types of online services, etc.	–
Digital security/ intellectual property rights protection	–	Secured server systems availability, etc.	–	Digital identification services provision index; secured server systems availability, etc.	Intellectual property rights protection; share of pirated software; availability of secured server systems, etc.	–	Cybersecurity index; intellectual property rights protection index, etc.

Sources: [EU, 2018; G20 Argentine Presidency, 2018; IMD, 2018; ITU, 2018; OECD, 2019c; WBG, 2016; Baller, Dutta, Lanvin, 2016].

Development (IMD) World Digital Competitiveness Ranking, can be used for analysis of the quality of regulatory and business environments and their impact on digital growth, as well as the influence of ICTs, on society.

The ratings and toolkits differ not only by designated sphere but also by sets of parameters and coefficients. To conduct research on the current condition of the digital economy in BRICS, all of these sources will be used. It should be noted that while the quality of digital infrastructure can be assessed with precision due to availability of statistics, assessments of the quality of regulatory environments, the societal impact of digital growth, society's perception of the ICTs, etc., should be treated with due consideration because of the methodological contradictions described earlier. These aspects require further comprehensive study.

The Toolkit for Measuring the Digital Economy and the Going Digital Toolkit, developed by the OECD in 2018–19, are based on quite similar sets of parameters. However, they are different in their methodological nuances.

The Toolkit for Measuring the Digital Economy [G20 Argentine Presidency, 2018] was introduced during Argentina's presidency of the Group of 20 (G20) in 2018. The toolkit includes 36 indicators divided into four groups. The Going Digital Toolkit[2] was presented in March 2019 [OECD, 2019c]. In this case, 33 indicators were organized into seven groups (Table 3).

The indicators on which the above-mentioned toolkits are based demonstrate methodological differences arising from the original purpose of each instrument. The Toolkit for Measuring the Digital Economy was developed to "compile core, standardized and comparable indicators about the digital economy" [G20 Argentine Presidency, 2018, p. 4] to facilitate further nationwide assessment. The Going Digital Toolkit's purpose was to "increase an understanding of the drivers of digital transformation, ... [it offers] a whole-of-economy and society perspective on key digital trends, impacts and issues that require co-ordinated policy action" [OECD, 2019c, p. 3]. Thus, the first toolkit's objective is to gather and compile data on digital development; the objective of the second is to identify global digital trends to facilitate the decision-making process.

It should be noted that despite the sophisticated methodologies used by the instruments in question, there are number of problems associated with the availability of comparable data for all countries in all categories. In this case, further comparison of BRICS, G20 and OECD countries is limited to spheres for which data is sufficient.

Comparison of average results of measurement based on two given methodologies shows largely the same results in both cases (Fig. 2, 3). The BRICS countries generally lag in terms of the maturity of physical digital infrastructure (access speed, number of active users and households with Internet access). However, the BRICS countries demonstrate equal or even higher results than other G20 countries and OECD members in Internet access pricing. Russia outperforms its BRICS partners and many other in the world at large.

According to OECD estimations, innovative frameworks in BRICS countries are on the same level of development as in OECD and G20 states in some respects – numbers of STEM (science, technology, engineering and math) graduates, for instance (Table 4 and Fig. 2). BRICS and the OECD have achieved similar results in the total number of IT-related patents, with China as an absolute leader among the BRICS five (Table 5). At the same time, employment in ICT-related spheres in BRICS countries is lower than the G20/OECD average.

OECD toolkits are valuable sources of statistical data; however, they were not designed for ranking countries of the world in accordance with their current level of digital development. This function is exercised by international ratings that will be described next.

[2] The information that can be obtained by this tool is primarily relevant for OECD countries, however, for comparison, data is also provided for some non-OECD countries.

Table 3. Selected Indicators From OECD Digital Development Toolkits

Toolkit for Measuring the Digital Economy		**Going Digital Toolkit**	
Category	**Selected Indicators**[3]	**Category**	**Selected Indicators**
Infrastructure	Fixed and mobile broadband subscriptions per 100 inhabitants; fixed and mobile broadband prices; households with a computer and Internet access, etc. (8)	Access	Fixed and mobile broadband subscriptions per 100 inhabitants; households with a computer and Internet access; share of businesses with broadband contracted speed of 30 Mbps or more, etc. (5)
Empowering Society	Individuals using the Internet to interact with public authorities; tertiary graduates in the natural sciences, engineering and ICTs (NSE & ICT); individuals with ICT skills, etc. (8)	Use	Internet users as a share of individuals; share of Internet users who have purchased online in the last 12 months; share of small businesses making e-commerce sales in the last 12 months, etc. (5)
Innovation and Technology Adaptation	Patents in artificial intelligence technologies; enterprises using cloud computing services, etc. (8)	Innovation	ICT investment as a percentage of GDP; business R&D expenditure in information industries as a percentage of GDP; patents in ICT-related technologies, as a percentage of total IP5 patent families, etc. (5)
Jobs and Growth	ICT goods as a percentage of merchandise trade; ICT contribution to labour productivity growth, etc. (12)	Society	ICT task-intensive jobs as a percentage of total employment; share in total employment by digital-intensive sectors (5)
		Trust	Percentage of individuals who live in households with income in the lowest quartile using the Internet; women as a share of all people aged 16–24 who can programme, etc. (5)
		Market Openness	Percentage of individuals not buying online due to payment security concerns, etc. (4)
			Share of businesses making e-commerce sales that sell across borders; Digital Services Trade Restrictiveness Index, etc (4)

Sources: [G20 Argentine Presidency, 2018; OECD, 2019c].

[3] The number in brackets shows the total number of indicators used.

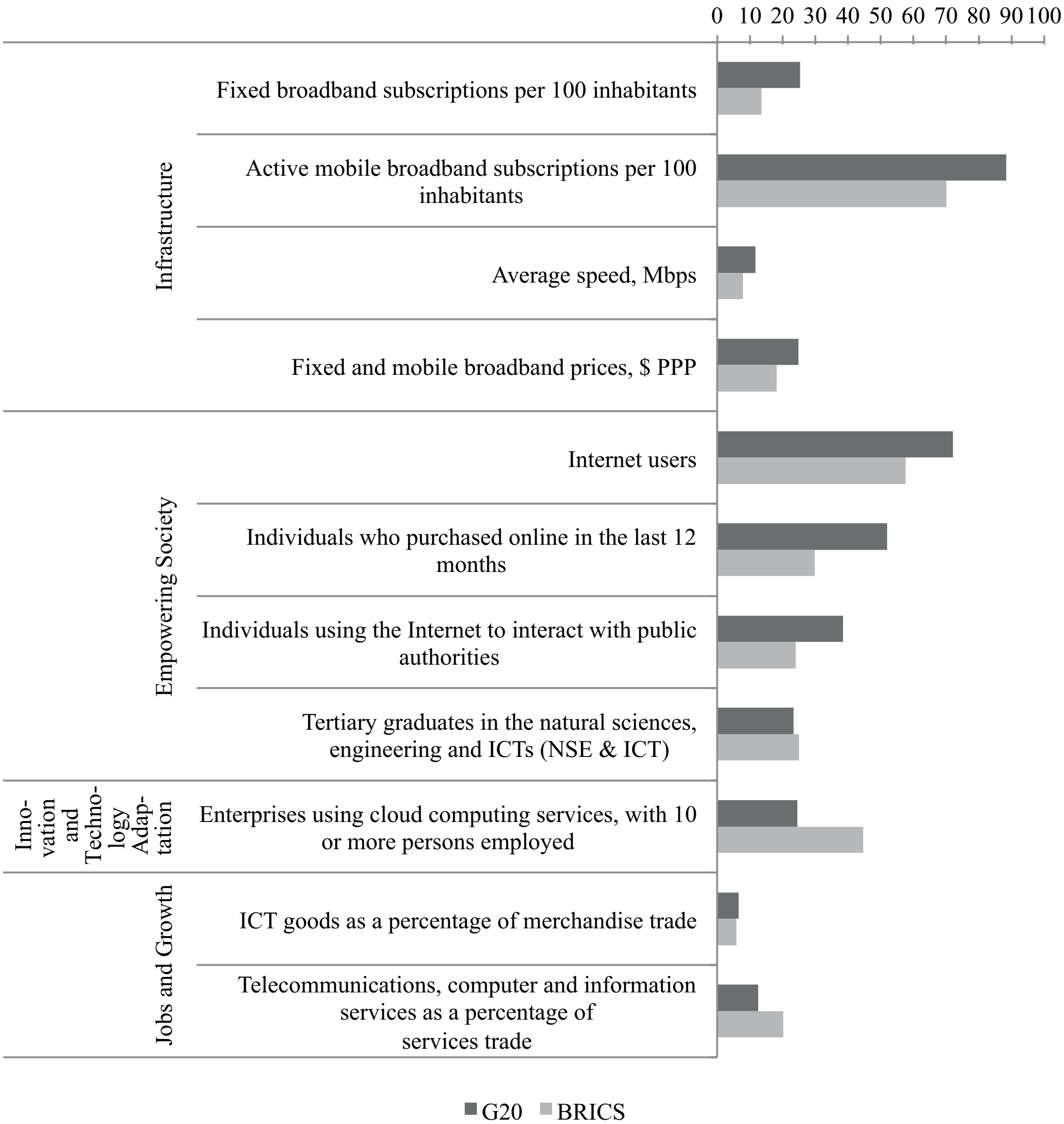

Fig. 2. BRICS and G20 Country Averages According to the Toolkit for Measuring the Digital Economy Indicators

Source: [G20 Argentine Presidency, 2018].

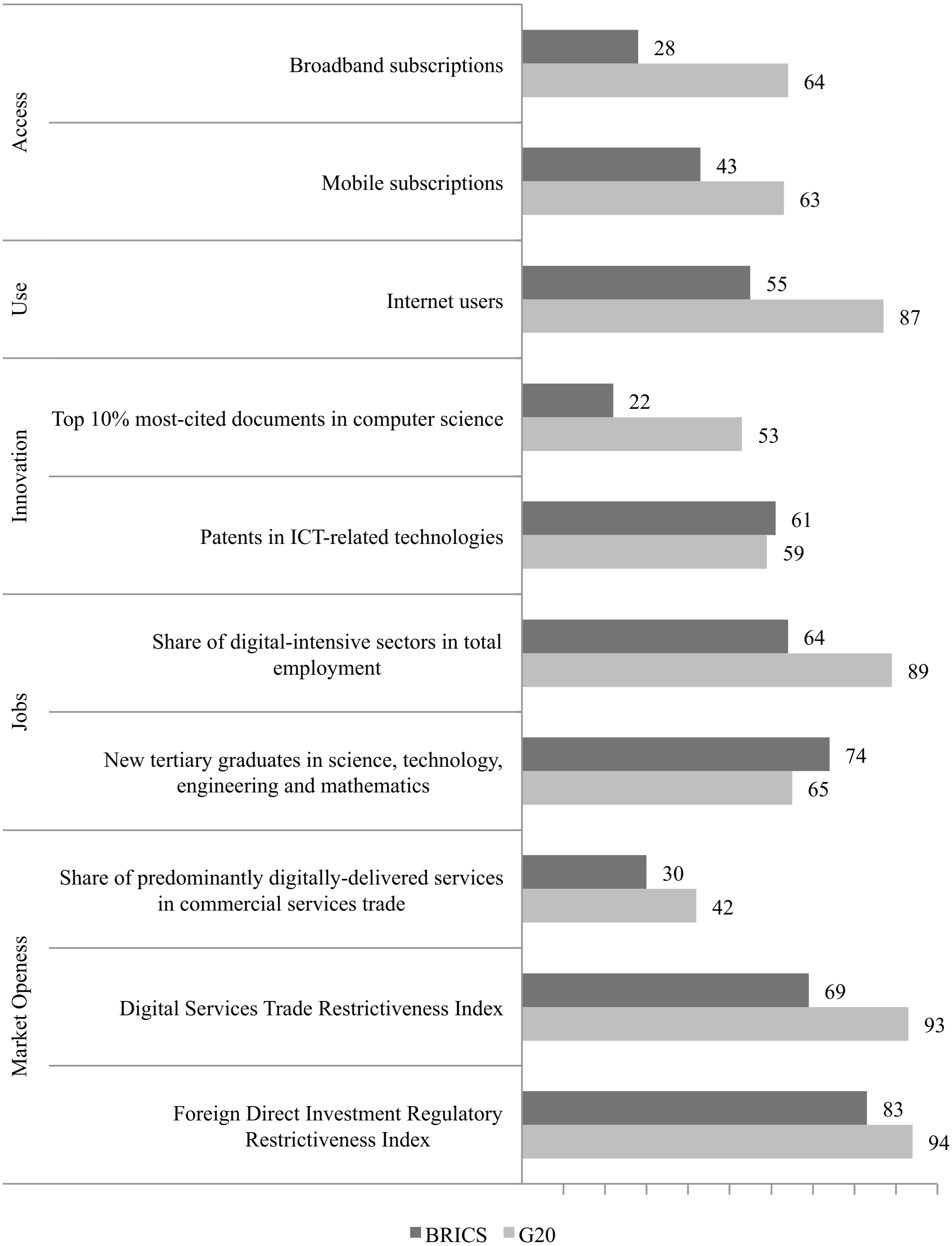

Fig. 3. BRICS and G20 Country Averages According to the OECD Going Digital Toolkit

Source: [OECD, 2019c].

Table 4. *Se*lected Indicators of Digital Development in the BRICS Countries Using the OECD Toolkit for Measuring the Digital Economy

Category	Indicators	China	Brazil	South Africa	India	Russia
Infrastructure	Fixed broadband subscriptions per 100 inhabitants	28.0	13.7	3.0	1.3	21.4
	Active mobile broadband subscriptions per 100 inhabitants	83.6	90.2	70.0	25.8	80.8
	Average speed, Mbps	7.6	6.8	6.7	6.5	11.8
	Fixed and mobile broadband prices, $ PPP	16.1	29.9	18.0	17.1	10.1
Empowering Society	Internet users	54.3	67.5	56.2	34.5	76.0
	Individuals who purchased online in the last 12 months	x	40.2	x	x	19.6
	Individuals using the Internet to interact with public authorities	x	24.0	x	x	x
	Tertiary graduates in the natural sciences, engineering and ICTs (NSE & ICT)	x	15.0	x	31.0	29.0
Innovation and Technology Adaptation	Enterprises using cloud computing services, with 10 or more persons employed	x	44.6	x	x	x
Jobs and Growth	ICT goods as a percentage of merchandise trade	26.5	0.39	1.4	0.95	0.55
	Telecommunications, computer and information services as a percentage of services trade	x	10.0	x	36.6	14.2

Source: [G20 Argentine Presidency, 2018].

*Table 5. In*dicators of the BRICS Countries Using the OECD Going Digital Toolkit

Category	Indicators	Brazil	Russia	India	China	South Africa
Access	Broadband subscriptions	29	46	3	57	6
	Mobile subscriptions	55	50	16	51	43
Use	Internet users	59	77	30	55	55
Innovation	Top 10% most-cited documents in computer science	27	20	16	29	19
	Patents in ICT-related technologies	18	80	70	104	31
Jobs	Share of digital-intensive sectors in total employment	75	76	43	50	75
	New tertiary graduates in science, technology, engineering and mathematics	47	86	88	x	x
Market Openness	Share of predominantly digitally delivered services in commercial services trade	21	42	36	24	27
	Digital Services Trade Restrictiveness Index	67	72	76	56	72
	Foreign Direct Investment Regulatory Restrictiveness Index	91	82	79	69	95

Source: [OECD, 2019c].

ICT Development Index

The ICT Development Index composed by the International Telecommunication Union (ITU) is a rich source of information on the progress of the digital economy's development. The rating is based on a set of indicators characterizing the maturity of digital technologies. The figures are presented annually in the "Measuring the Information Society" report. The rating includes 11 indicators divided into three groups [ITU, 2018].

According to ITU's assessment, in 2017 the BRICS countries showed results corresponding with the global average with the exception of India, which ranked 134th out of 176. The leading countries on the list are Iceland, Korea, Switzerland, Denmark and the United Kingdom (Table 6).

Digital Adoption Index

The World Bank Group's Digital Adoption Index (DAI), in addition to providing data on the maturity of digital infrastructure in terms of accessibility and quality, implies assessment of the efficiency of national customs services, the quality of online services, and so on. This rating

Table 6. The BRICS Countries Ranked by the ITU ICT Development Index

Country	ICT Development Index	IDI ACCESS SUB-INDEX					IDI USE SUB-INDEX			IDI SKILLS SUB-INDEX		
		Fixed-telephone subscriptions	Mobile-cellular telephone subscriptions	International internet bandwidth per Internet user (Bit/s)	Percentage of households with computer	Percentage of households with Internet access	Percentage of individuals using the Internet	Fixed (wired)-broadband subscriptions	Active mobile-broadband subscriptions	Mean years of schooling	Secondary gross enrolment ratio	Tertiary gross enrolment ratio
Iceland	1	43.60	122.60	490.60	97.30	97.90	98.30	39.90	39.90	12.20	118.56	81.26
Korea	2	52.70	124.90	69.90	79.90	99.90	95.10	41.60	41.60	12.20	97.73	95.35
Switzerland	3	43.30	133.20	80.60	90.50	89.80	93.70	45.40	45.40	13.40	99.77	57.23
Denmark	4	25.10	121.70	87.10	93.10	93.70	97.10	43.20	43.20	12.70	129.87	81.52
UK	5	50.10	119.60	421.60	91.70	94.00	94.60	39.30	39.30	13.30	127.81	56.48
***												
Russia	45	21.70	157.90	68.80	74.40	76.30	76.00	21.40	80.80	12.00	100.59	78.65
Brazil	66	19.50	113.00	29.00	46.30	60.80	67.50	13.70	90.20	7.80	101.95	49.28
China	80	13.70	104.60	27.90	55.00	59.60	54.30	28.00	83.60	7.60	94.30	43.39
South Africa	92	6.40	162.00	17.40	21.90	60.70	56.20	3.00	70.00	10.30	91.96	19.38
India	134	1.70	87.30	25.90	16.50	25.40	34.50	1.30	25.80	6.30	74.28	25.54

Source: [ITU, 2018].

is subdivided into three components – DAI People, focused on usage of ICTs by citizens, DAI Business and DAI Government which focus on the implementation of digital technologies by business and government, respectively [WBG, 2016].

Based on DAI data, BRICS countries lag behind the group of leaders – Singapore, Luxembourg, Austria, Korea and Malta. A considerable gap exists in the overall level of ICT penetration into the daily activities of citizens. However, the BRICS five achieved much in the implementation of ICTs in public services. (Fig. 4 and Table 7).

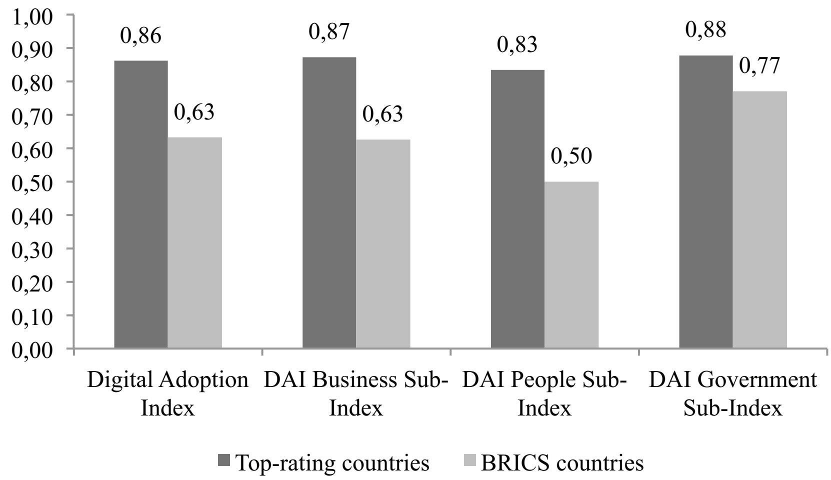

Fig. 4. BRICS Average Results in the WBG Digital Adoption Index Compared With the Top-Five Average

Source: [WBG, 2016].

*Table 7. Di*gital Development Indicators of the BRICS Countries in the WBG Digital Adoption Index

	Digital Adoption Index	**DAI Business Sub-Index**	**DAI People Sub-Index**	**DAI Government Sub-Index**
Brazil	0.68	0.68	0.55	0.82
Russia	0.74	0.71	0.70	0.82
India	0.51	0.50	0.23	0.80
China	0.59	0.55	0.52	0.69
South Africa	0.64	0.69	0.50	0.73

Source: [WBG, 2016].

Networked Readiness Index

The Networked Readiness Index developed by the World Economic Forum includes a set of 53 indicators combined in 10 groups and four sub-indexes [Baller, Dutta, Lanvin, 2016]. In 2016, Brazil, Russia, India, China and South Africa ranked 72th, 41th, 91th, 59th and 65th out of 139, respectively. The lowest scores were given to BRICS countries in the environment sub-index, while in other spheres results are close to the average (Table 8). The group of leading countries includes Singapore, Finland, Sweden, Norway and the United States.

Table 8. The BRICS Countries in the WEF Networked Readiness Index

Countries	Networked Readiness Index	Environment		Readiness			Usage			Impact	
		Political and regulatory environment (9 indicators)[4]	Business and innovation environment (9 indicators)	Infrastructure (4 indicators)	Affordability (3 indicators)	Skills (4 indicators)	Individual usage (7 indicators)	Business usage (6 indicators)	Government usage (3 indicators)	Economic impacts (4 indicators)	Social impacts (4 indicators)
Singapore	1	5.9	6.0	6.6	5.3	6.5	6.4	5.4	6.3	5.9	6.2
Finland	2	5.8	5.4	7.0	6.4	6.5	6.6	5.8	5.0	6.1	5.5
Sweden	3	5.5	5.2	7.0	6.2	5.8	6.7	6.0	5.0	6.1	5.6
Norway	4	5.7	5.4	7.0	6.1	6.0	6.7	5.5	5.2	5.4	5.2
U.S.	5	5.2	5.5	7.0	6.4	5.8	6.2	5.9	5.4	5.8	5.7
***											
Russia	41	3.6	4.5	4.7	6.6	5.4	5.3	3.6	4.4	3.7	4.6
China	59	3.9	3.8	3.3	5.5	5.4	3.9	3.9	4.6	3.8	4.7
South Africa	65	5.0	4.3	4.9	5.2	4.4	3.9	4.2	3.3	3.4	3.3
Brazil	72	3.4	3.4	4.5	6.2	4.5	4.8	3.7	3.6	3.1	3.9
India	91	3.7	3.7	2.6	6.6	4.1	2.1	3.6	4.1	3.1	4.1

Source: [Baller, Dutta, Lanvin, 2016].

World Digital Competitiveness Ranking

The World Digital Competitiveness Ranking by the International Institute for Management Development uses 50 parameters combined into three groups. These groups are subdivided into three subcategories (sub-factors) (Table 9).

According to the World Digital Competitiveness Rating, the BRICS countries perform quite modestly. China ranks the highest among the BRICS five – 30th out of 63. The lowest score goes to Brazil at 57th. Russia, India and South Africa rank 40th, 48th and 49th, respectively.

International Digital Economy and Society Index (I-DESI)

The International Digital Economy and Society Index (I-DESI) developed by the European Union allows comparison of the digital economy development of member and selected non-member countries.[5] The rating uses five groups of parameters (Table 10).

[4] The number in brackets shows the total number of indicators.

[5] Brazil, Russia and China are the only BRICS countries that were included into the rating.

Table 9. The BRICS Countries in the IMD International Digital Competitiveness Index

	Ranking (from 1 to 63)	Brazil	Russia	India	China	South Africa
		57	40	48	30	49
Knowledge	Talent	61	40	43	18	54
	Training & Education	57	12	59	46	54
	Scientific concentration	54	23	26	21	47
Technology	Regulatory framework	59	38	56	26	53
	Capital	56	58	3	30	27
	Technological framework	47	38	62	40	58
Future Readiness	Adaptive attitudes	38	39	54	23	56
	Business agility	52	62	33	19	38
	IT integration	51	43	56	41	39

Source: [IMD, 2018].

BRICS countries perform quite poorly in comparison with the countries of the Union. A significant lag exists in the usage of ICTs by business. Relatively high results were achieved by the BRICS countries in usage of digital technologies for the provision of public services.

*Table 10. B*razil, Russia and China in the EU I-DESI Ranking

	Brazil	Russia	China	EU Top 4	EU average	EU Bottom 4
Connectivity	39.5	38.9	45.9	75.2	62.9	52.2
Human Capital	39.2	64.1	40.5	74.7	58.0	43.7
Use of Internet Services by Citizens	33.8	48.7	45.3	78.5	59.7	44.4
Integration of Digital Technology by Business	27.8	29.8	40.7	72.8	51.3	32.3
Digital Public Services	62.4	56.8	58.6	84.7	63.1	41.1

Source: [EU, 2018].

Available data demonstrates that the BRICS countries struggle with the issue of accessibility of digital infrastructure in terms of the availability of digital devices allowing usage of digital services and information in digital format. For instance, in India and Brazil the number of households with a personal computer is two-to-four times lower than in the group of leading countries. The BRICS countries lag behind in the number of broadband connections by 10–20% [ITU, 2018]. In this context the case of Russia is an exception – not only is its digital infrastructure as mature as that of the global leaders, but it is also one of the most affordable [G20 Argentine Presidency, 2018]. The BRICS countries partly compensate for the insufficiency of backbone digital infrastructure with a high number of users of mobile devices and services [ITU, 2018].

The business environment in BRICS countries is characterized by a low overall penetration by ICTs. This can be defined both by insufficiency of infrastructure and immaturity of regulatory and innovative frameworks [see IMD, 2018; Baller et al., 2016]. China is an exception here – it is not only ahead of its BRICS partners in the total number of registered IP5-related patents, but also ranks very high from a global perspective [OECD, 2019b]. The current spread of digital skills in BRICS countries is a reason for optimism – indicators characterizing the readiness of a nation's education system for the challenges of the digital era in BRICS are very close to the world's best [see EU, 2018; ITU, 2018]. Further, IT-related jobs are in high demand in BRICS, as shown by the total number of STEM-graduates in BRICS countries [OECD, 2019c].

BRICS' National Digital Agenda

Development of the digital economy is considered a main pillar of strategic development planning in all five BRICS countries. Moreover, the digital agenda is well represented in the concluding documents and decisions of BRICS summits.

Brazil

The Strategy of Social and Economic Development of Brazil includes the development and promotion of ICTs as a main factor of economic growth. The Strategy's priorities in this sphere are facilitation of competition in ICT, mitigation of the negative impact of a deepening digital divide, and reduction of the costs to implement digital solutions in manufacturing and daily activities [Government of Brazil, 2018a].

The Operating National Strategy of Scientific, Innovative and Technological Development of Brazil for 2016–22 is aimed at facilitating the implementation of ICTs in business, monetization of ICT-related research, and promotion of basic studies in ICTs [Ibid., 2016]. These priorities are further developed in the Strategy of Digital Transformation of Brazil, adopted in 2018. In addition to the above-mentioned goals, this document adds improvement of infrastructure, increase in the total number of households with Internet access, safety in the digital environment, promotion of digital education, and deepening of regional and global partnerships in the digital sphere to the list of priorities [Ibid., 2018b].

Development of the ICT sphere is also considered a security priority along with aerospace and nuclear energy, according to the National Security Strategy of Brazil [Ibid., 2012].

Along with national programmes and strategies, Brazil actively promotes the digital agenda in international fora as a member of the Southern Common Market (MERCOSUR) and the Economic Commission for Latin America and the Caribbean (ECLAC). In 2017 Brazil, as chair of MERCUSOR, supported the establishment of a working group to coordinate a common stance on Internet governance, common regulations of licensing of digital products, and the conduct of digital trade in goods and services [Valente, 2017]. Together with other Latin American countries, Brazil supported the introduction of the Digital Agenda for Latin America Until 2020, focused on sustainability issues and equality in the digital era [ECLAC, 2018].

Russia

Development of ICTs and the digital economy are included in the list of Russia's strategic priorities. The Digital Economy of the Russian Federation programme, promulgated in December 2018, is aimed at increasing government support for digital development, improvement of digital infrastructure in terms of better access of households and businesses, and promotion of national software production [Government of the Russian Federation, 2018].

Russia's Concept of Social and Economic Strategic Development Until 2020 considers development of ICTs to be the most efficient instrument to support economic development and the national economy's competitiveness. In this context, the main priorities are the establishment of a single information space, nationwide access to broadband infrastructure, and better availability of digital services for the general population [Ibid., 2008].

The Doctrine of National Security of the Russian Federation considers digitization to be a pillar of national policy in this sphere. Amended in December 2016, the Doctrine views ICTs as an essential attribute of all kinds of personal activities, and views the usage of ICTs as a factor of the country's strategic development. In addition, information technologies are regarded as a fundamental element in the realization of Russia's security priorities [Ibid., 2016].

Russia actively promotes national digital priorities in international fora. Russia has a representative to the UN Internet Governance Forum's Multistakeholder Advisory Group (MAG) [IGF, n. d.]; a permanent representative of Russia is accredited in the Internet Corporation for Assigned Names and Numbers (ICANN) – the most influential non-governmental body within the system of Internet governance [ICANN, n. d.]. Russia also participates in the activities of the Regional Commonwealth in the Field of Communications (RCC) [Government of the Russian Federation, n. d.], members of which are generally former Soviet republics along with several observer states and representatives of key international organizations.

India

The Government of India considers digital development to be a key driver of the country's economic growth. The Action Plan for 2017–18 and 2019–20 includes three main directions for its activities: digital infrastructure, software production, and the broadening of economic opportunities by means of wider implementation of ICTs.

The priorities under the pillars of the Action Plan are: improvement of broadband access to infrastructure to increase coverage of households in rural and remote areas; promotion of "net neutrality;" building-up of digital skills in the country's general population to facilitate an overall increase of digital literacy; development of electronic industry to satisfy local demand and increase export revenue; improvement of legislation on cybersecurity-related issues and data protection; further increase of quality of digital public services [Government of India, 2017]. A special national programme was established in February 2019 to support local software producers [PMIndia, 2019]. The Digital India programme initiated in 2015 with the support of Prime Minister Narendra Modi is aimed at promotion of the above-mentioned priorities [Ibid., 2018].

India considers the safety of information infrastructure and technological self-sufficiency of the digital component of the country's defence industry to be among the main pillars of its security policy [Government of India, 2018].

As a regional leader, India successfully incorporates its national digital priorities in the agenda of the South Asian Association for Regional Cooperation (SAARC). In 2004, a designated working group on the promotion of cooperation in the IT sphere among members was established. The working group coordinates a joint stance on international tariffs, promotion of regional IT-infrastructure, building-up regional connectivity, exchange of best practices and expertise in IT-related issues and cybersecurity matters, among other things [SAARC, n. d.].

Along with the regional initiatives, India participates in discussion on issues of global Internet governance via its permanent representative to the MAG.

China

China considers the IT sphere to be a crucial component of national security policy, as underlined in the National Cybersecurity Strategy [Government of China, 2016a]. The Strategy sets out the following list of priorities in cybersecurity: protection of national sovereignty in cyberspace; the fight against cybercrimes; improvement of instruments of governance of cyberspace and; promotion of international cooperation on related matters.

The digital economy is among the priorities of the 13th Five Year plan [Ibid., 2016b]. The core priorities of China's digital policy are to: develop IT-infrastructure, including proliferation of optical and wireless networks; increase average Internet connection speed; develop disruptive technologies, namely the Internet of Things (IoT) and; cloud computing.

China actively engages in multilateral discussion on digital issues. China's representatives are accredited in MAG and ICAAN. As a leading decision maker in the Shanghai Cooperation Organisation (SCO), China promotes a cybersecurity agenda. In 2015, the SCO presented a draft multilateral convention on cybersecurity that demonstrated China's commitment to a multilateral decision-making process on matters of personal and national security in the digital age [Ibid., 2017].

South Africa

South Africa's National Development Plan – 2030 [Government of South Africa, 2012] focuses on the following priorities of digital development: promotion of infrastructure investment; support of local demand on digital goods; and employment of foreign expertise of key international organizations and bodies, namely the ITU.

As a complex subject, the digital agenda of South Africa was formed in 2016–17 when the national government presented a series of strategic documents. The above-mentioned priorities were enhanced with new directions for action put forward in the ICT Integrated Policy White Book [Ibid., 2016]. The National Digital Strategy [Ibid., 2017] also added a cybersecurity dimension, focusing on diversification of software and hardware markets.

South Africa promotes a digital agenda on multilateral basis. During its first presidency in the South African Development Community in 2008–09, the Protocol on Science, Technologies and Innovations was approved to facilitate cooperation among countries of the region on science and innovation, R&D investments, removal of barriers to exchanges in technologies and expertise, etc., through the establishment of specialized mechanisms [SADC, 2008]. The agenda was further enhanced after the adoption of the Action Plan on Development of Regional IT-Infrastructure Until 2027 [Ibid., 2012]. The Plan focuses on issues of regional infrastructural connectivity within the broader context of the establishment of a single information space.

South Africa supports discussion and decision-making processes on ICT-related issues as a member of the African Union (AU). The country's national priorities correlate with the AU's agenda on digital development: during the meeting on ICT-cooperation matters between the AU and the EU, Minister of Communications, Telecommunications and Postal Services Stella Ndabeni-Abrahams declared the development of an affordable ICT-infrastructure and a system of occupational retraining as top priorities [Government of South Africa, 2018].

Against the backdrop of differences in the relative maturity of their digital economies, the BRICS countries nevertheless pursue the same set of priorities. The main direction for action is the development of digital infrastructure and the promotion of access of the general population, businesses and governmental bodies to digital services. The BRICS five pay great attention to the issues of digital transformation of the labour market and proliferation of digital skills. ICT development is also considered a pillar of national security policy in all five countries. The above-mentioned priorities are actively promoted by means of BRICS institutions in the form of joint initiatives and concrete decisions.

BRICS Digital Agenda

At present, BRICS' digital agenda encompasses a limited range of issues. This can be explained by the relatively short period of time that has passed since the very first decision was made.

At first, issues related to digital development were discussed as a part of a wider agenda of scientific cooperation, and later, in discussions on development of ICTs at large. BRICS countries started to make concrete decisions in 2018; since 2015 and until Johannesburg (2018), only meetings of BRICS ministers responsible for ICT development took place.

BRICS first addressed the issues of digital development during the Russian presidency in 2015, when the first meeting of communications ministers was held in Moscow. The meeting concluded with an action plan [BRICS, 2015b] and a decision to establish an ad hoc working group to discuss and formulate decisions on digital development for further approval by BRICS ministers [Ibid., 2015a].

During South Africa's second BRICS presidency in 2018, members agreed to launch the Partnership for the Fourth Industrial Revolution (PartNIR). The new platform was designed to facilitate exchange of expertise and best practices in the promotion of digital industries and to create impetuses for economic growth [Ibid., 2018].

A relatively high level of compliance of the countries with the decisions on digital development made during BRICS summits proves the demand for further cooperation in this sphere.

Since 2011, 38 decisions on digital issues have been made by the BRICS five. The most significant contribution was made in 2015 when 17 commitments were adopted. The Chinese BRICS presidency in 2017 resulted in 12 concrete decisions on the digital agenda. Compliance has reached 94% on average (Table 11).

Recommendations for Russia's Third BRICS Presidency

Development of the digital economy is a pending issue for each BRICS country. However, Brazil, Russia, India, China and South Africa are at different stages of digital development. Taking these factors into account, BRICS as an institution could nevertheless form a firm ground for making concrete strategic decisions in this sphere.

One promising direction for cooperation among the BRICS countries is *expansion of exchanges of best practices, information and expertise* on matters relating to digital development.

*Table 11. T*he Number of BRICS Commitments on Digital Issues and the Level of Compliance With Commitments Selected for Monitoring

	Ufa 2015	**Goa 2016**	**Xiamen 2017**	**Johannesburg 2018**
Number of Commitments	17	3	12	3
Level of Compliance With Commitments Selected for Monitoring [6]	90%	90%	100%	–

Source: [author, based on analysis by the Center for International Institutions Research (CIIR) RANEPA, Moscow].

BRICS has not yet established a designated mechanism for regular data sharing on indicators of digital development, proposed and operational projects of the partner countries in this sphere, best available practices of facilitation of digital development, issues and nuances of regulation of digital production, or digital trade. Once established, this mechanism could be based on an existing platform (i.e., ICT ministers meetings, the BRICS Working Group on ICT Cooperation) which would allow expansion of the scope of expert groundwork to facilitate the resolution of current issues relating to digital development, including adaptation of statistical services to the needs of assessment of the digital economy itself and the contribution of ICT-related industries to GDP creation. Introduction of new indicators and improvement of existing metrics would increase the quality and effectiveness of strategic planning to bridge the growing digital divide and cope with emerging vulnerabilities.

The BRICS countries could achieve much in *conceptualizing common standards of production of digital goods and services.* A universal standard has not yet been introduced. BRICS' proposal may become the first of a kind and thus set the path for future initiatives. Moreover, a universal digital standard would greatly increase the value of intra-BRICS trade and facilitate investment cooperation.

The third promising direction is *joint promotion of BRICS' common stance on cybersecurity matters.* All five members of BRICS have declared the fight against cybercrime and emerging digital threats to be a strategic priority; many of them have a hand in decision-making on matters of Internet governance. China has already presented its view on key elements of an international security system in the cyber sphere. In 2020 Russia, as president of BRICS and member of the SCO, could facilitate the conversion of China's proposed initiative on the SCO platform into a BRICS-led concept, and thus support its promotion within the UN system.

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[6] See RANEPA [n. d.] for a complete list of commitments made by the BRICS countries.

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New Challenges for Russia's Foreign Aid and Its Contribution to the Sustainable Development Goals[1]

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Abstract

The article discusses current trends in the Russian practice of international development assistance (IDA). Despite international isolation, the Russian government continued to increase its allocations for official development assistance (ODA), which, from 2015, amount to about USD1 billion annually. The author identifies key problems in the field of IDA related to monitoring and evaluation, the achievement of the Sustainable Development Goals (SDGs) and interaction with the business sector. The author describes the actions of the government in its quest to solve these problems. Special emphasis is placed on a comparative analysis of the SDG indicators with indicators of national development goals until 2024. This makes it possible to link Russian goals with international priorities. The theoretical basis of this study is the 'systemic change' and 'scaling up approach', which are often used in research on development economics. A "large-scale approach" allows us to measure the scale of Russia's participation in construction and installation work in terms of the number of allocated resources, the number of stakeholders involved, geographical coverage, etc. The "systemic change" approach explains how Russia's development cooperation activities are aligned with national goals and the SDGs, as well as the transformation in the structure and dynamics of the system, which leads to an impact on the material conditions or behavior of stakeholders.

In conclusion, the author reflects on the prospects for the creation of a national monitoring and evaluation system in the area of IDA, as well as on the possibilities of contributing to the achievement of the SDGs by 2030. One of the directions could be increased participation in the formation of new international development institutions, including the creation of the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) along with the expansion of bilateral programs in the field of international development assistance.

Key words: sustainable development goals (SDGs) monitoring and evaluation (M&E); international development assistance (IDA); national monitoring and evaluation systems; aid effectiveness; Russia

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Introduction

In recent years, Russia's financial contributions to official development assistance (ODA) have significantly increased, reflecting Russia's growing interest in regional and global development cooperation. On 20 April 2014, the Government of the Russian Federation adopted the Con-

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cept of the Russian Federation's State Policy, in which national objectives and priorities were officially declared. This concept replaced the concept that had been approved in 2007 after Russia's first presidency in the Group of 8 (G8) club of global donors. Russia's hosting of the G8 summit in 2006 greatly influenced the national ODA agenda and the first concept as well [Bylina et al., 2007].

In spite of the ODA policy agenda – as formulated in the Concept of the Russian Federation's State Policy in the Area of International Development Assistance (2014) (hereafter ODA Concept 2014) – and its strong focus on debt relief, education and health [Government of the Russian Federation, 2014], the Russian government still has not fully been able to articulate a national approach to ODA. The Russian government is cooperating with the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) by providing its ODA statistics on annual basis. Moreover, it supports a dialogue with the global south through the BRICS (Brazil, Russia, India, China and South Africa) format in which countries identify themselves as emerging donors. All of these trends, as well as the external pressures associated with the 2030 sustainable development goals (SDGs) agenda, the private sector, and the transformation of international development aid architecture challenge current Russian development aid politics.

The Russian government has not yet passed a special national law on compliance with the SDG commitments. However, some of the SDGs coincide with the national priorities introduced in the Presidential May Decree of 2018 [President of Russia, 2018] at the regional and country levels. The 2030 Agenda for Sustainable Development, adopted by the United Nations (UN) in 2015, puts a special focus on follow-up and review processes at the national and global levels. Thus, I argue that the achievement of the SDGs by 2030, as well as national priorities by 2024, requires strengthening the national ODA monitoring and evaluation (M&E) system to substantially increase the effectiveness and efficiency of Russian aid abroad and reduce excessive levels of bureaucracy.

In this article, research on Russia's development assistance is rooted in theoretical fields related to "systemic change" [Humphrey et al., 2014] and "scaling-up" approaches [WBCSD, 2013]. The scaling-up approach makes it possible to measure the scale of Russia's engagement in the markets of developing countries in terms of the amount of resources allocated, the number of people reached, the geographic footprint, and so on. Although economies of scale and returns on political investment are important for the Russian government, scale implies nothing specific about developmental impact. That is why the systemic change approach is useful for explaining how Russia's development cooperation activities align with national goals, the development goals of recipients, and the SDGs. It implies transformation in the structure or dynamics of a system, which in turn leads to impacts on the material conditions or behaviours of large numbers of stakeholders. It aims to catalyze change with spillover effects that have broader direct and indirect impacts [Ruffer, Wach, 2013]. This approach helps to describe the complex nature of Russia's engagement in international development and reveals the issues, challenges and impacts that have a systemic change effect [Harich, 2010].

In order to reveal both the systemic change and scale-up effects of Russia's ODA projects, this article discusses M&E issues, the difficulties in achieving the SDGs, as well as Russian business, which is also contributing to scaling-up and systemic change approaches in Russia's ODA projects. While each of these issues has been partly considered in papers by Russian researchers [Larinonova, 2019; Maximova, 2015; Rakhmangulov, 2010], this paper analyzes these issues in light of new factors in the national and international agenda.

Russia as a Global Donor

The Soviet mode of ODA engagement was mainly associated with providing financial resources to socialist countries and low-income economies in exchange for their political support in the international arena [Bartenev, Glazunova, 2013]. After the collapse of the USSR, Russia's position in the international development cooperation arena dramatically changed. In the 1990s, during a tumultuous transition period, Russia was included on DAC's recipient-countries list and was provided concessional credits to support its economy. In 1997, Russia was invited to join the Group of 7/8 (G7/8), in which it remained a member until 2013. In 2006, Russia officially became a global donor after accepting the presidency of the G8 and hosting the G8 summit in St. Petersburg, during which global donors established a set of commitments to fight global poverty in areas such as education, energy and health. This required the Russian government to adjust its ODA approach to the international development agenda. As a result, the process invoked a systemic transformation of national institutions for ODA policy implementation.

The history of the modern Russian international development assistance (IDA) system can be characterized simultaneously by ups and downs. As mentioned above, in 2007, immediately following Russia's G8 presidency, a decree on the "Concept of Russia's Participation in International Development Assistance" was approved by the Russian president [Government of the Russian Federation, 2007]. The 2007 decree made special reference to Russia's international commitments such as the Millennium Declaration, the Monterrey Consensus, and the Paris Declaration on Aid Effectiveness, among others. It reaffirmed Russia's multidimensional approach to development policy, going beyond the previous focus on debt relief commitments which Russia had made at the G8 summit in Gleneagles in 2005. During this period, the idea of establishing a national aid agency was actively discussed [Rakhmangulov, 2010].

Russia has been gradually building up and broadening its international development assistance programmes: from about $100 million in 2004 to a peak of almost $1.3 billion annually by 2016 (Fig. 1). This is primarily associated with the government's efforts to create a national ODA system according to the geographical and sectoral priorities of the ODA Concept 2014. Although the amounts are modest by comparison with other donors, and also in relation to Russia's gross domestic product (GDP), they are nevertheless significant, especially at a time when the Russian economy is under severe stress from international sanctions which undermine the national economy and decrease the overall level of governmental expenditures.

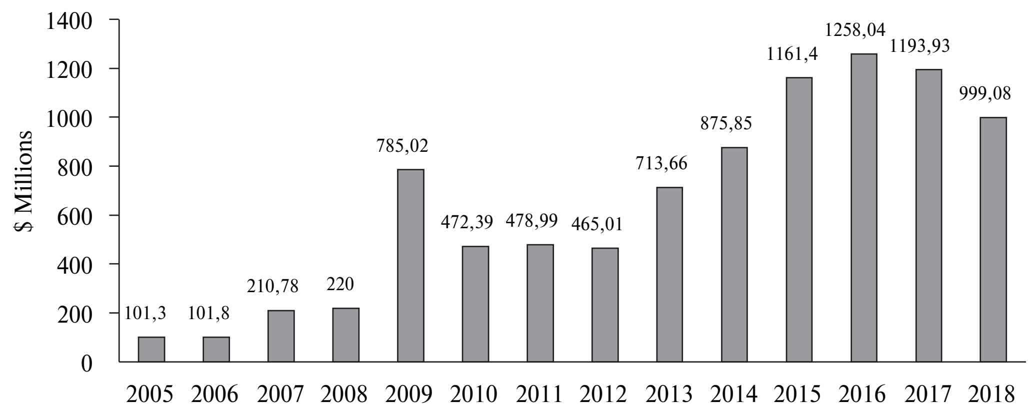

Fig. 1. Official Development Assistance Provided by the Russian Federation, 2005–18

Source: [Knobel, Zaytsev, 2019].

In the period 2014–17, which coincided with the external and internal economic crisis, the Russian Federation continued to strengthen its position as an international donor. Internal and external problems for the Russian economy during this period were mainly associated with the sanctions. The estimated impact of sanctions on the Russian economy ranged from 1–1.5% of GDP per year, and the outward foreign direct investment (FDI) exceeded $150 billion [CBR, 2018]. Despite the economic downturn, Russia has managed to maintained an annual development allocation of more than $1 billion.

ODA volumes in 2018 were characterized by a slump which reduced ODA to $999.08 million. However, this is comparable with three earlier periods when the level of finance exceeded $1 billion in spite of the economic slowdown.

In 2014, a new presidential decree was issued for "Russia's State Policy in the Area of International Development Assistance" [Government of the Russian Federation, 2014]. A special priority was maintained with respect to the formation of a zone of good neighbourliness in the framework of economic support for countries in the Commonwealth of Independent States (CIS) [Knobel, Zaytsev, 2017]. The emphasis was kept on international commitments made between 2007 and 2014. The focus on supporting sustainable development outcomes was not changed.

According to recent statistics, in 2018 Russia allocated $999.09 million for its ODA, which was 16% less than in 2017. The global level of ODA in 2018 amounted to $149.3 billion [OECD, 2019]. As a result of this decline, the volume of Russian ODA does not exceed 0.1% of its gross national income, whereas one of the UN's objectives for development financing is the annual allocation of donor assistance at the level of 0.7% of gross national income [Ibid.]. However, the 2018 ODA contributions of the UK, Norway and Sweden have exceeded the UN target.

In spite of substantial increase in the volume of Russian ODA contribution after 2007, progress on the creation of a national IDA system is still required.

Distribution of Russian ODA by Sector and Channel

Despite the wide range of priority sectors identified in Russia's ODA Concept 2014, current practices concerning Russian ODA generally relate to multilateral and bilateral modes of engagement and are associated primarily with humanitarian aid and debt relief. Moreover, understating the current instrumental and sectoral modes of engagement in ODA helps to identify those national priorities that are associated with the achievement of the SDGs and the establishment of an M&E system.

Multilateral Aid

The current mode of engagement for aid distribution is associated with an increase in the volume of bilateral aid. However, in 2012–13, bilateral aid flows were almost at the same level as those for multilateral financing. The main motivation of the Russian ministry of foreign affairs is to raise the level of Russian aid effectiveness by developing bilateral channels with the Russian government, which could then exercise greater control over it.

Moreover, in 2014–17, the share of bilateral and multilateral assistance increased from 28.2% in 2014 to 39% (2016) and 37% (2018), respectively, of total ODA (Fig. 2). This indicates the reliance of the Russian government on international institutions as mechanisms for the provision of ODA.

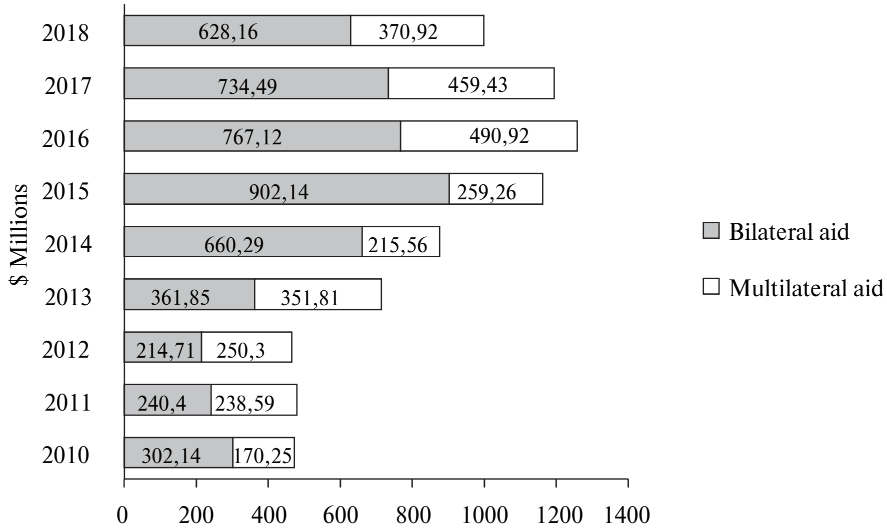

Fig. 2. Distribution of Russian ODA to Bilateral and Multilateral Assistance

Source: [Knobel, Zaytsev, 2019].

The key multilateral partners for Russia in 2018 were UN institutions ($104.71 million), the World Bank ($16.4 million), and regional development banks ($225.12 million) (Table 1).

Table 1. Financial Participation by Russia in International Development Institutions, 2018

International Institute	The Volume of Financial Participation by Russia ($ Millions)
UN institutions	104.71
World Bank institutions (IDA, IBRD, IFC, IIGA)	16.4
Regional development banks	225.12
Montreal Protocol (1987)	7.95
Other international institutions	17.01
Total	*370.92*

Source: [Knobel, Zaytsev, 2019].

Despite statements made in the framework of the annual spring meetings of the World Bank and the International Monetary Fund in 2018 on Russia's abstinence regarding the recapitalization of the World Bank in the amount of $13 billion, the Russian government continues to use the bank's tools to implement aid programmes [RBC, 2018]. At the World Bank, the Russian Federation provides financing to projects within the framework of the 21 established trust funds [World Bank, 2019]. The total cash contributions amounted to $62 million in 2013–17, earning Russia 25th place in the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) rankings of trust fund donors [Ibid., 2018]. As for the regional development banks, the main priority in 2017–18 was given to those that were implementing their projects in the Eurasian space [Knobel, Zaytsev, 2018].

Bilateral Aid

As a part of its bilateral cooperation, Russia is implementing its scale-up approach and continues to focus on providing assistance to the CIS countries. In the cases of many post-Soviet countries, Russia became one of the largest donors. For example, according to the Statistics Agency under the President of the Republic of Tajikistan, Russia's share in overall development assistance amounted to 19.8% [TAJWeek, 2017]. According to Deputy Foreign Minister Alexander Pankin, Russia's priority regions in 2017 also included countries from Latin America, Africa and Asia [Central Asia News, 2018].

Yet, the majority of Russia's bilateral international development assistance is focused on specific countries that are partners, friends, or neighbouring countries of Russia. Such country-specific programmes account for 40% of all programmes and 80% of all of Russia's current ODA financing. The most prominent recipients are Kyrgyzstan, Tajikistan, Cuba, North Korea, Nicaragua, Guinea, Serbia, Mozambique, Syria and Armenia, which together account for 95% of Russian ODA directed at specific countries [Knobel, Zaytsev, 2017].

Currently, Russian bilateral aid focuses mainly on debt relief (SDG 17), the environment (SDG 13), rural and infrastructure development (SDG 9), energy (SDG 7), health (SDG 3), water and sanitation (SDG 6), and budget support (SDG 17). Russia uses its multilateral mechanisms through the World Bank or the World Food Programme to assist CIS countries, while placing a special focus on the Kyrgyz Republic, Tajikistan and Armenia for infrastructure development and the provision of food security. These activities are in line with Russia's specific national objectives in the Eurasian economic space [Government of the Russian Federation, 2014] associated with economic integration at the sectoral and country levels.

It should be noted that the actual value of ODA provided by the Russian Federation exceeds the amounts published in OECD statistics. This is due in part to the fact that assistance is provided to countries that are not on the OECD-DAC list of beneficiaries. Russia continues to support the socio-economic development of South Ossetia, which is still considered by the international community to form part of Georgia. For example, the Russian government has allocated RUB 600 million for the construction of an operational-surgical complex at the Republican Hospital. This project was included in an investment programme which relied on Russia's financial assistance for the 2015–17 period [Sineva, 2018]. Moreover, the Russian Federation, like other OECD-DAC countries, also allocates funds to combat international terrorism and provides military assistance. However, these areas of assistance are not taken into account in ODA statistics [Zaytsev, 2013].

Thus, an appropriate accounting of Russian ODA would make it possible to provide more accurate assessments of the scale of Russia's official engagement in the markets of developing countries through bilateral and multilateral channels. Moreover, humanitarian aid and debt relief often reflect only the quantitative side of international development engagement. In order to make further qualitative judgements on the systemic change of Russian ODA and its impact, an evidence base is required. However, Russia's ODA politics currently lack substantive and qualitative impact assessments due to the absence of concrete ODA M&E practices.

Monitoring and Evaluation

Current trends reveal that Russia's ODA policy places emphasis on tracing the government's actions in the field of development cooperation in order to raise the efficiency and effectiveness of Russian aid. Moreover, in light of scarce budgetary resources, monitoring external and internal governmental policy implementation could raise Russia's accountability standards. That is why elaborating institutional models and establishing a national M&E system is essential, especially for external policies such as ODA [Boehmer, Zaytsev, 2018]. Moreover, as mentioned above, M&E systems help to trace the progress of systemic change [Humphrey et al., 2014] and evaluate the scope of engagement to fight global poverty [WBCSD, 2013].

From an expert point of view, there are several reasons for establishing an ODA M&E system in Russia. The first is to provide information to the public and the government, especially in times of budget constraints. The efforts should be undertaken in conjunction with a communication strategy, which requires the development of a clear narrative that speaks to key audiences and is based on factual data, combined with information on Russia's impact, that stakeholders can relate to for further decision-making. This could take the form of an annual institutionalized report to the government and an easily understood brochure for the public. These reports should incorporate simple indicators of what has been done at the global and country levels [Boehmer, Zaytsev, 2018]. They should be measurable and the data should be readily available. Successful examples of establishing ODA M&E systems are usually associated with the practices of the United Kingdom, Germany, Canada and Australia [Ibid., 2019], where the efficiency of ODA projects is assessed against systemic change criteria.

The second reason is associated with Group of 20 (G20) accountability, which assumes preparation of the national action plans to achieve the SDGs. As a member of the G20, Russia is committed to providing annual reports showing compliance with SDG targets. This international commitment coincides with Russia's national priorities on achieving the SDGs, as reflected in the Concept of the Russian Federation's State Policy in the Area of International Development Assistance [Government of the Russian Federation, 2014]. Moreover, the usage of SDG indicators could strengthen the national ODA M&E system as well as optimize the efficiency and effectiveness of Russian development aid projects. Thus, SDG reporting for the G20 could contribute to national efforts to develop an ODA M&E system.

The emphasis on strengthening national ODA M&E systems has become one of the main prerequisites for the gradual achievement of the SDGs by 2030. The 2030 Agenda for Sustainable Development adopted by the UN in 2015 puts a special focus on follow-up and review processes at the national and global levels. It should be informed by global and country-led evaluations based on high-quality, accessible, timely and reliable data [UN, 2015] in order to inform stakeholders of systemic changes and the scale of change.

With the launch of the SDGs, many governments are actively working to consider how they will address the SDG indicators and targets. It often makes them reconsider the main principles of their national M&E systems for addressing this challenge. Given that the Russian government is at a very early stage of establishing a national ODA M&E system, taking the SDGs into consideration could be a part of the process. This would also contribute to raising the level of transparency of Russia's efforts in the field of international development cooperation. What is more, most of the SDGs assume long-lasting systemic change effects. To reveal these effects in the future, the M&E system should be created as quickly as possible. Through the monitoring and assessment of appropriate SDG targets, governmental bodies would be able to track their incremental efforts toward systemic change.

Russia's ODA Policy and the SDG Agenda

The SDGs pose a challenge for the international community, especially in light of the changing development agenda. Each SDG is subject to comprehensive efforts toward achieving and maintaining them, with all 17 SDGs being interconnected and interrelated. The relationships between the goals can be even more complex. Each goal is connected to other goals and subtargets in different, often context-dependent ways [Ibid.]. Moreover, the introduction of the

SDGs into Russia's ODA politics addresses its systemic change approach, with spillover effects among the goals and targets that have direct and indirect impacts [Ruffer, Wach, 2013].

As noted earlier, in Russian practice, the role and function of the SDGs are not defined institutionally. Nevertheless, it is possible to identify certain areas of work by the Russian government in this area. In December 2016 a meeting of the State Council was held on the issue "On the Environmental Development of the Russian Federation in the Interests of Future Generations" [President of Russia, 2016]. The government was instructed to consider "as one of the main goals of Russia's transition to a model environmentally sustainable development" to define and use a system of indicators for sustainable development – mechanisms for achieving the goals of the country's environmentally sustainable development policy by 2030, and thereafter by 2050.

The monitoring of Russia's achievement of the SDGs has been included in the Federal Statistical Work Plan since 2017 [Government of the Russian Federation, 2017b]. In 2019, Rosstat (2019) was assigned as the responsible body for the development of a national set of SDG indicators for their further implementation in state strategic documents. It also coordinates the collection and provision of statistical information on SDG indicators to international organizations [Ibid., 2017a]. In total, 90 SDG indicators have been collected, including 54 indicators (60%) by Rosstat and 36 indicators (40%) by ministries and departments. In 2017, the Rosstat portal created a "Sustainable Development Goals" section for downloading statistical information on monitoring the implementation of the SDGs at the national level [Rosstat, 2015]. Thus, the SDGs are shared by the Russian government with respect to its internal and external politics.

At the national level, the SDGs are partly expressed by a decree of the president of the Russian Federation "On the National Goals and Strategic Objectives of the Development of the Russian Federation for the Period up to 2024" [President of Russia, 2018]. The May Decree of 2018 sets strategic tasks for the government and determines the indicators for the results that are expected to be achieved in six years, thereby achieving the tasks of the SDGs.

The official version of the Presidential May Decree of 2018 encompasses nine national goals in the fields of demography, poverty eradication, income increases, housing improvements, technology development, digital economy, economic growth and export expansion. Table 2 shows the goals, indicators, and their values by 2024. National goals and indicators correlate with the SDGs related to the elimination of poverty (SDG 1), hunger (SDG 2), strengthening health systems (SDG 3), reducing inequality (SDG 10), sustainable urban and urban development (SDG 11), industrialization and infrastructure development (SDG 9) and economic growth (SDG 8).

The political goals for Russian ODA are also correlated with the SDGs and can be classified at the global, regional and recipient country levels. Traditionally, Russia's priorities as a global actor covered areas in which the country possessed comparative advantages, such as health, education and energy, as well as food security. All of these areas are related to facilitating sustainable socio-economic development in partner countries, including post-conflict countries (SDG 1). Other goals of the ODA Concept 2014 at the global level – such as limiting the consequences of natural disasters or establishing a stable and equitable world order based on universally recognized norms of international law and relations between countries – can also be easily mapped (SDGs 11 and 17).

At the regional level, Russia's priorities are mostly associated with facilitating integration processes among the CIS countries, with particular emphasis on the development of trade and economic cooperation (SDG 9) [Knobel et al., 2019]. With respect to other neighbouring countries, Russia is primarily keen on facilitating the elimination of potential points of tension and conflict, and sources of drug trafficking, international terrorism, and organized crime, as well as preventing their occurrence (SDG 16) [Government of the Russian Federation, 2014].

Table 2. List of National Goals in the Presidential May Decree of 2018

The Goal	**Goal Indicator**	**Value of the Indicator by 2024**	**SDG**
a) ensuring sustainable natural growth of the population of the Russian Federation	Natural population growth, people	1.0	SDG 2, 3
b) increase in life expectancy	Life expectancy (years)	78.0	SDG 2, 3
c) ensuring sustainable growth of real incomes of citizens, as well as raising the level of pensions above inflation	Real cash income, % of the previous year (real disposable cash income of the population, % of the previous year)	2.4	SDG 10
d) halving the poverty level in the Russian Federation	Population with cash income below the subsistence level, in % of the total population	6.6	SDG 1
e) improvement of living conditions for at least 5 million families annually	The number of families who improved their living conditions every year (increasing rooms in housing, the appearance of missing basic public amenities in housing, reducing real housing costs by more than 5%), million families	5	SDG 11
f) acceleration in the technological developments of the Russian Federation, and an increase in the number of organizations implementing technological innovations, up to 50% of their total number	The share of organizations involved in technological, organizational, marketing innovations in the reporting year, in the total number of organizations surveyed, %	50.0	SDG 8, 9
g) ensuring the accelerated introduction of digital technologies in the economy and the social sphere	–	–	–
h) contributing to the Russian Federation so that it becomes one of the five largest economies in the world, ensuring economic growth rates that are higher than global ones while maintaining macroeconomic stability, including inflation, at a level not exceeding 4%	Place among countries in nominal PPP GDP in $	5	SDG 8
i) job creation in the basic sectors of the economy, primarily in the manufacturing industry and the agro-industrial complex, for a highly productive export-oriented sector that is developed on modern technologies with highly qualified personnel	Exports (in value terms) of non-primary non-energy goods, $ billion per year	350	SDG 2

Source: [President of Russia, 2018].

At the level of recipient countries, the interests related to Russian ODA very often coincide with its global and regional priorities, so its ODA policy aims at overcoming the barriers at the national level in order to implement these priorities [Boehmer, Zaytsev, 2018]. Russia's national interest in supporting developing countries is translated into practice by boosting economic activity, creating conditions to involve the poorest groups of the population in economic activities (SDGs 6 and 7) and providing access to vital resources, primarily water and electricity (SDG 9). In the case of Russia's Eurasian economic integration policy, these measures help the recipients to improve conditions for their trade and investment activities in order to enhance their proactivity in the Eurasian economic space [Knobel et al., 2019].

Another angle of Russia's national interest in ODA politics relates to support of global partnerships (SDG 17), which is primarily associated with strengthening national health systems and social safety nets (SDG 3), raising the quality of education (SDG 4) and supporting efforts on post-conflict peacebuilding (SDG 16) [Government of the Russian Federation, 2014]. The partnerships are associated with institutional cooperation focused in these areas at the international level in the framework of the G20, the UN system, etc.

Overall, most of the priority areas of Russia's ODA policy at the global, regional and national levels correlate with the relevant SDGs. Given that the achievement of development objectives is not associated merely with a particular SDG or several SDGs, it is important to note that the priority areas and relevant objectives of Russia's ODA engagement should be mutually reinforcing and complementary. Thus, the national priorities for Russia's ODA policy should result from considerations about the provisions of the ODA Concept 2014, the relevant SDGs discussed above, and the perspectives of stakeholders contributing to the implementation of ODA projects (such as the ministry of foreign affairs and other sectoral federal governmental bodies, as well as civil society and business) (Fig. 4).

Fig. 4. Areas of Coincidence of National Interests, Regional Goals and SDGs

Source: Compiled by author.

For the successful implementation of the objectives of the SDGs, it is necessary to adapt the SDG indicators at the national level. Existing tasks and activities within the framework of national socio-economic development programmes need to be analyzed and compared with global goals and objectives to assess compatibility or conflicts, as well as gaps, in the content of national documents [Boehmer, Zaytsev, 2018].

Russian Businesses and ODA

Russian businesses have been represented in the markets of developing countries since Soviet times. In essence, economic assistance from the USSR served as a corporate social responsibility (CSR) programme for Soviet enterprises operating there. This form of cooperation was aimed at overcoming the negative externalities associated with the work of Soviet industrial enterprises, as well as at strengthening their positions. For ideological reasons, socially oriented programmes that accompanied the work of Soviet organizations could not conceptually or meaningfully intersect with the programmes of companies in capitalist countries. Nevertheless, in fact, they had a large number of points of intersection with the CSR projects of western partners [Zaytsev, 2018].

Notwithstanding that the current role ascribed to businesses as development actors goes far beyond their CSR practices, due to the lack of information on Russia's private development engagement, this article relies on open CSR data published by Russian companies as a part of their participation in the Global Reporting Initiative. The expenditures of Russian companies for external CSR practices are usually associated with development objectives in the field of infrastructure and human development.

The share FDI by Russian businesses in the poorest countries of Africa, Latin America and Southeast Asia is still quite low. For example, the figure is less than 8% in sub-Saharan Africa and less than 1% in the Middle East and North Africa [RAS Institute, 2014]. In emerging and fast-growing markets, Russian investors are surpassed by their U.S., Chinese, EU and Australian competitors in Africa, Latin America and Southeast Asia. The main reasons predominantly concern the relatively high levels of competition and support from national governments, which – in the cases of the United States and the European Union – often have more diversified and effective mechanisms of support. For example, in 2015, U.S. companies spent more than $41.5 million for CSR projects in the African region. At the same time, Nigeria ($5.41 million) and Egypt ($6.14 million) are among the largest recipients of social investments [Chief Executives for Corporate Purpose, 2016].

Russian companies are also represented in the region in the mining and services sectors, where CSR programmes accompany business processes. However, Russian companies' expenditures for external CSR are substantially lower. For instance, Lukoil Overseas implements its projects in Egypt, Ghana, Côte d'Ivoire and Iraq. According to 2015 data, Lukoil Overseas spent more than $5 million on projects aimed at ensuring the company's CSR in foreign countries [Lukoil Overseas, 2011].

However, the Russian private sector has an extended portfolio of CSR projects. CSR programmes implemented by Russian businesses abroad vary substantially, depending on the specifics of the business and terms of funding. For example, businesses from the industrial sector of the economy put special emphasis on infrastructure projects and the development of human capital and local communities, whereas businesses from the financial sector implement CSR projects which mostly focus on environmental and social issues [Zaytsev, 2018].

Russian businesses put a special emphasis on the projects that affect local communities when implementing CSR programmes. A prime example is the work of Russian companies from the mining sector, such as Alrosa, Lukoil Overseas, Rusal, Gazprom and Rosneft, in the markets of developing countries and countries with rapidly growing economies.

Lukoil Overseas has become Russia's largest private company in terms of assets, sales, and spending on socially oriented projects in Africa, Latin America and the Middle East. The company is ranked among the 10 largest non-financial transnational corporations represented in the markets of developing countries and countries with economies in transition.

One of Lukoil Overseas' largest projects in Africa is Meleiha (Western Desert), which will be implemented under the terms of a concession until 2024. The company owns a 50% stake in the project. The Egyptian government and the Egyptian oil company EGPC hold the remaining shares. One of the conditions for the concession was the implementation of socially oriented projects aimed at ensuring the interests of local communities and the development of infrastructure. The company has implemented its CSR projects in Sierra Leone, Ghana, and areas around the Gulf of Guinea as part of its business activities. Most of the projects have focused on the development of local communities.

The mining company Rusal is also among the key representatives of Russian companies implementing CSR projects in foreign countries where they operate, such as Guinea, Nigeria, Guyana and Jamaica. The company is also leading in terms of financing social projects which, for 2013, amounted to about $10 million [Rusal, 2013a].

The social activities of the company relate to participation in infrastructure projects. In the city of Fria (Guinea), over the last 10 years the company has been carrying out the construction of artesian wells and public schools, and also the reconstruction of the city mosque and the Catholic church. In Guyana, the company built a plant for the purification of drinking water for the Hururu village and supplied electricity to the village through the generating capacity of its plant [Ibid., 2013b].

CSR practices have become an inevitable part of business activity portfolios and are often implemented as part of a corporate management programme. On the one hand, the practices are in line with governmental efforts to provide public goods. On the other hand, they do not always advance the core targets of the SDGs, even while they do contribute to economic development and growth.

The integration of Russian businesses into the system of global economic relations means deeper involvement in value chains, which, in turn, suggests expanded production in developing markets, depending on the availability of critical production factors which contribute to both scale and change. However, political risks and the inefficient system of state support to capital exporters – with a focus on companies with government participation – considerably complicate the penetration of foreign developing markets by Russian businesses. However, participation by Russian businesses in national ODA projects could substantially reduce such risks. What is more, commercial private capital could contribute toward financing the SDGs through blended mechanisms, with Russia as the official donor. Overall, development and related SDG projects are often not bankable for businesses. Consequently, private capital could be an alternative source to "turn the billions into trillions."

There are several mechanisms, including public-private partnerships (PPPs), that could increase the involvement of the Russian private sector in state ODA projects. PPPs have become an integral part of the SDG agenda and contain an enormous potential to contribute to the achievement of SDGs 8, 9 and 17, in particular.

Moreover, some Russian companies have already indirectly integrated the SDGs into their day-to-day activities. According to the Russian Union of Industrialists and Entrepreneurs, about 200 companies have implemented more than 500 projects to overcome social and environmental challenges, thereby contributing to the achievement of the SDGs. Moreover, 25 of these companies – working in fields such as energy, oil and gas, metallurgical and mining, agriculture, and telecommunications – have streamlined their social and environmental practices with the SDGs in the 2030 agenda [Russian Union of Industrialists and Entrepreneurs, 2018]. This approach is reflected in company reports on CSR, in which particular activities are associated with the appropriate SDGs.

Despite Russia's economic decline, socially responsible projects should remain a priority for Russian corporations in light of the environmental and social goals stipulated by the SDGs.

This concerns not only the classic polluting companies, represented in the mining and manufacturing sectors, but also the businesses working in the services sector. Moreover, the development footprint of Russian business could be strengthened with governmental support, which is associated with PPP projects and political risk reduction. Such cooperation is associated not only with a straightforward scale effect but also with long-lasting systemic changes.

Conclusions

Despite the recession in the Russian economy and the instability of relations with the U.S. and the EU since 2014, the Russian government continues to implement programmes in the field of international development assistance. As a result, Russia's commitment to international agreements remains firm, even though political events, such as western sanctions, are pushing Russia into a more isolated position. In addition, attempts are being made to change the modalities for providing assistance related to its effectiveness. Nevertheless, multilateral and bilateral mechanisms continue to provide a balance of interests and costs associated with the provision of Russian assistance. However, the lack of an M&E system for ODA programmes and projects at the national level makes it difficult to accurately understand the effectiveness and efficiency of these channels and inhibits tracking progress.

The issues of ensuring the accountability of Russian IDA programmes, as well as the problems of their effectiveness and efficiency, actualize the task of creating a national M&E system for Russian IDA programmes. Of course, an attempt to create a national M&E system for construction and installation work can lead to additional bureaucracy for decision makers, as well as for executors of construction and construction work projects. However, the formation of such a system will make it possible to solve other tasks related to the fulfillment of Russia's international obligations, including in the area of the SDGs.

In addition, the SDGs are becoming a priority of Russia's national policy in the field of social and environmental development [President of Russia, 2016]. Rosstat has become a key agency in monitoring goals at the national level [Government of the Russian Federation, 2017b]. The sequence of actions to implement IDA programmes and achieve the SDGs could be ensured by supplementing the national strategic planning system for IDA with the national Sustainable Development Strategy of Russia, as well as achieving the 2030 SDGs until 2030 [Bobylev, Grigoryev, 2016]. For the successful implementation of the SDG goals, it is necessary to adapt the SDG indicators at the national level based on an analysis of existing tasks and activities in the framework of national socio-economic development programmes and their comparison with global goals and objectives.

Cooperation with private business can also lead to an increase in aid effectiveness, which will further contribute to the emergence of direct and indirect systemic changes in Russian assistance programmes and development results in recipient countries.

Given the complex hierarchy of priorities of Russia's IDA at different levels, it is important to focus on areas of intersection of national interests, regional objectives, and the SDGs as global priorities. Thus, to narrow the priority areas in order to develop a simple M&E system, those areas in which Russia's national interests directly coincide with the SDGs and the interests of partner countries should be considered. These are SDG 2, SDG 6, SDG 7 and SDG 8 [Boehmer, Zaytsev, 2018].

Of course, the modalities of future IDA programmes will determine the future directions of the development of the Russian IDA system and positioning Russia as an international donor. Currently, cooperation with the OECD-DAC remains at a rather low level and is within the framework of ODA reporting. On the other hand, Russia is not a country of the global south and has been isolated by the West from global donor forums such as the G7. This situation requires the Russian government to search for alternative options for the development of the construction and installation system. One of these alternatives is participation in the formation of new international development institutions, including the creation of the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB).

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Pursuing Balance: Analysis of the PRC's Implementation of Trade and Investment SDGs in Cooperation With Leading Partners From the Least Developed Countries[1, 2]

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Abstract

Implementation of the sustainable development goals (SDGs) is one of the key elements of the current international agenda. But some countries the least developed countries (LDCs), face serious difficulties in doing so. Such states have extremely limited internal resources and cannot ensure their own development; as such, they require the involvement of more developed states. Therefore, a key factor to ensure sustainable development is the facilitation and widening of trade and investment cooperation with partners that can provide financing support for the most urgent investment gaps, demand for export products, and imports of necessary goods and services. Traditional collaboration models with partners from developed countries cannot fully meet the needs of the LDCs in the current international context. This situation provides windows of opportunity as new power centres pursue their economic and political goals. China (PRC) has a special place among these emerging powers.

This article analyses the economic cooperation of China with its 10 key trade partners among the LDCs (LDCs-10). The author suggests various rationales for the PRC's cooperation with the LDCs, examines the importance of this cooperation for achieving the SDGs, and presents an applied methodology. The first part of the article covers the particularities and general assessment of China's development finance. The author then analyses the main aspects of China's trade policy and its trade and economic cooperation with the LDCs-10. In conclusion, the author considers the dynamics of the key indicators of socio-economic and political development of the PRC and the LDCs-10 and evaluates the relative effectiveness and efficiency of their cooperation through the prism of the SDGs' implementation.

Key words: sustainable development goals; SDGs; sustainable development; the PRC; China; foreign policy; trade policy; foreign investment; the 2030 Agenda for Sustainable Development

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Introduction

The comprehensive implementation of the 2030 Agenda for Sustainable Development (hereinafter, the 2030 Agenda) is a very complicated and nontrivial task which requires the active involvement of the international community as a whole. As noted in the 2030 Agenda, "sustainable development recognizes that eradicating poverty in all its forms and dimensions, combating inequality within and among countries, preserving the planet, creating sustained, inclusive and sustainable economic growth and fostering social inclusion are linked to each other and are interdependent" [UN, 2015]. M. Larionova and E. Safonkina argue that "the United Nations (UN) sustainable development goals (SDGs) established in the 2030 Agenda for Sustainable Development adopted in 2015 collectively serve as a universal guide for developed and developing countries in their national policies and international cooperation aimed at meeting global challenges" [Larionova, Safonkina, 2018]. The SDGs include 17 goals and 169 tasks which are "integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental" [UN, 2015].

It is not a secret that the most serious difficulties in the implementation of the SDGs are experienced by the least developed countries (LDCs). This descriptor was introduced by the UN General Assembly in 1971 to identify countries in urgent need of international support for socio-economic development. The LDC classification has been updated many times since then. The list of LDCs is reviewed every three years by the Committee for Development Policy, a group of independent experts that reports to the Economic and Social Council of the UN. The current list (reviewed in December 2018) includes 47 countries [Ibid., n. d., a]. Only five countries have ever graduated from LDC status: Botswana in December 1994, Cabo Verde in December 2007, Maldives in January 2011, Samoa in January 2014 and Equatorial Guinea in June 2017 [UNCTAD, 2019a].

There are many reasons for the negative situation experienced by these states, such as the deformed structure of national economies dominated by low productivity sectors and poor diversification, wide investment gaps, high inequality, poor human capital, high corruption, and many other severe problems. In Africa alone, within a period of 40 years (1970–2010) $854 billion was withdrawn as the proceeds of corruption or unpaid taxes and duties [Safronova, 2019, p. 98]. Features of the socio-economic development in LDCs are discussed by A.S. Pankova and S.V. Mikhnevich [2018]. It is safe to say that due to the extreme limitations of LDC capacities, a major means to enhance their domestic situation and make progress toward implementation of SDGs is the development of cooperation with external powers such as the People's Republic of China (PRC).

For China, constructive investment activities and trade have been the most important factors behind the exponential growth and crucial changes in the Chinese economy since the beginning of the policy of "reform and opening" in the late 1970s. Significantly, while China has been solving domestic issues it has also actively supported the development of foreign partners. Mao Zedong in 1971 emphasized that "African friends had brought China to the UN" [Safronova, 2019, p. 134].

China and the LDCs actively collaborate in various bilateral and multilateral fora, starting with the Non-Aligned Movement and the Group of 77 and China, and ending with the Group of 20 (G20) and the BRICS group of Brazil, Russia, India, China and South Africa. In the enumeration of existing mechanisms of forum diplomacy, south-south (among developing countries) and north-south (between developed and developing countries) cooperation fora are worth mentioning. South-south cooperation provides China with opportunities to gain the support of the developing world for Chinese initiatives and ideas, and to promote them in north-south dialogue on the global stage. SDG implementation, in addition to its socio-economic value, is a major factor for China to increase its international influence and provide a positive environment for its own legitimate global leadership. The rationale behind China's bid for leadership is pragmatic: if it is not a leader, China risks losing capacities and resources for sustainable development and falling into a serious crisis.

The nature of the PRC's foreign policy under Xi Jinping's leadership has become more leadership-oriented and assertive. This also is evidenced in the launch of different initiatives and ideological concepts such as the Belt and Road Initiative (BRI) and the Community of Common Destiny (CCD) or Chinese dream. The BRI is aimed at the implementation of practical projects, while the CCD has as its goal the renewal of the international system on the basis of values. Thus, another important direction of Chinese foreign policy is to raise the potential of "international discourse power" (guoji huayuquan) through the publication of white papers, speeches by state leaders, international propaganda, and scientific and cultural exchanges [Denisov, Adamova, 2017, p. 76]. China traditionally declares that its foreign policy has as its core the concept of mutually beneficial cooperation and non-interference in domestic affairs. This approach increases the appeal of cooperation with China for many developing states that would otherwise have to conform to the conditions of partners from developed countries. China can maximize its own benefits from cooperation thanks to this mutuality.

The basic document of the PRC's policy on the SDGs is China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development. It argues that despite the significant and positive results from international cooperation, the world faces serious challenges which cannot be overcome by countries separately, noting that "all countries should work together to translate leaders' commitments to concrete actions by implementing the 2030 Agenda" [Ministry of Foreign Affairs of the People's Republic of China, 2016]. Table 1 shows the main approaches to SDG implementation that are presented in the paper.

Table 1. Main Elements of China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development

General Principles	Key Areas and Priorities	Means of Implementation
Peaceful development	Eradicate poverty and hunger	Strengthen capacity building
Win-win cooperation	Maintain economic growth	Create an enabling international environment for development
Integration and coordination	Advance industrialization	Strengthen development partnership
Inclusiveness and openness	Improve social security and social services	Promote coordination mechanism
Sovereignty and voluntary action	Safeguard equity and justice	Improve follow-up and review
Common but differentiated responsibilities	Protect the environment	
	Address climate change	
	Efficiently utilize resources	
	Improve national governance	

Source: Compiled by the author on the basis of Ministry of Foreign Affairs of the People's Republic of China [2016].

This paper analyzes the performance of the PRC's policy on the fulfilment of SDG trade and investment tasks in cooperation with key LDC partners. The main **research question** is to find out if the PRC's development of economic cooperation with the LDCs leads to complex enhancement of the situation in the interests of the PRC and the LDCs.

The central **hypothesis** is that the PRC's strategy to implement trade and investment SDG targets is based on the pursuit of a complex political-economic good. This includes providing favourable conditions for the development of China and its key partners and maximizing the PRC's international influence. Fulfilling this strategy, China seeks to optimize the use of resources by taking economically viable decisions for political tasks. However, this sometimes results in deteriorating socio-economic and political situations in the partner countries.

The **chronology** of the research mainly covers the period 2015 to 2017, representing the first three years after the approval of the 2030 Agenda, due to the availability of socio-economic and political development indicators during this period.

In order to answer the research question, it is necessary to: analyze the main approaches and mechanisms of the PRC's development finance and outward investments; examine trade policies in China's relationships with the LDCs; identify China's key partners among the LDCs; determine actual trends in China's economic cooperation with its key LDC partners; and assess the dynamics of the main indicators of the socio-economic development.

A special **methodology** is deployed based on theoretical approach utilized by the research team at the Center for International Institutions Research at the Russian Presidential Academy of National Economy and Public Administration (RANEPA) for the "Analysis of the G20 Countries' Contribution to Implementation of the Trade and Investment Tasks of the Sustainable Development Goals (SDGs)" research project.

Among the targets outlined in the SDGs for which the completion of trade and investment cooperation plays the most important role due to their influence on the socio-economic development of the LDCs, four targets and their indicators have been selected:

- SDG 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture); Target 2.b (Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round); Indicator 2.b.2 (Agricultural export subsidies).
- SDG 10 (Reduce inequality within and among countries); Target 10.a (Implement the principle of special and differential treatment for developing countries, in particular, least developed countries, in accordance with World Trade Organization (WTO) agreements); Indicator 10.a.1 (Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff).
- SDG 17 (Strengthen the means of implementation and revitalize the global partnership for sustainable development); Target 17.10 (Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO, including through the conclusion of negotiations under its Doha Development Agenda); Indicator 17.1 (Worldwide weighted tariff-average).
- SDG 17 (Strengthen the means of implementation and revitalize the global partnership for sustainable development); Target 17.12 (Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with WTO decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access); Indicator 17.12.1 (Average tariffs faced by developing countries, least developed countries and small island developing States).

The PRC's 10 largest trade partners among the LDCs (hereinafter, the LDCs-10) based on combined export and import volumes for three years (2015, 2016 and 2017) were identified based on UN Conference of Trade and Development (UNCTAD) Stat data. Trade between the PRC and the LDCs-10 during the specified period was analyzed to identify the five largest export product groups for each country, define their share in the total export volume of each country to the world market and China, and calculate the ratio between export of the appropriate country and the LDCs-10 to China and their export to the world market. This analysis allows for an evaluation of the importance of China as an export partner for the LDCs-10. LDCs-10 imports from China were also analyzed to identify the five key product groups of the PRC's exports to the LDCs-10 and to calculate the ratio between the appropriate exports of the PRC to the LDCs-10 and its exports to the world market. Further, the five largest product groups of Chinese exports to the world market were identified and the ratio between the PRC's appropriate export to the LDCs-10 and its export to the world market was calculated. This allowed an evaluation of the importance of the LDCs-10 as an export partner for China.

The impact of China's trade policy on the implementation of trade and investment SDG targets in the appropriate countries was assessed, including number of protectionist and liberalizing measures (direct and indirect) that were introduced. The assessment was made based on the following indicators: fluctuations in the bilateral trade of each LDCs-10 country with the PRC (year to year comparison) and fluctuations in the trade of each LDCs-10 country with the world (year to year comparison).

Finally, the dynamics of some indicators of socio-economic development in the LDCs-10 countries and China in 2015–18 were considered to assess the possible influence of cooperation between LDCs-10 countries and China on that indicator. The indicators are the following: gross domestic product (GDP) per capita (World Bank data), the Human Development Index (United Nations Development Programme (UNDP) data), the Global Competitiveness Index (World Economic Forum (WEF) data), gross capital formation (World Bank data), unemployment (World Bank data), the Corruption Perception Index (Transparency International data), and the Democracy Index (The Economist Intelligence Unit data).

It is important to note that, taking into account the influence on the socio-economic development of many factors behind the relationship between China and the LDCs, it is impossible to determine the particular level of influence of direct and indirect trade investment measures on the dynamics of socio-economic development indicators. For example, a decrease in the PRC's growth rates affects commodities markets, causing a fall in prices and a worsening economic situation in many LDCs due to their undiversified and undeveloped economic structures.

Development Finance and Investment Cooperation

Since 2014 PRC authorities have not published white papers on China's foreign aid. According to information revealed in February 2017, Xi Jinping, in his speech at the meeting of the Leading Small Group for Comprehensively Deepening Reforms, mentioned that the total amount of China's foreign aid in 1949–2016 exceeded RMB 600 billion ($89.6 billion) [RFA, 2017]. If development finance provided before 2012, RMB 345.63 billion ($51.6 billion) [Information Office of the State Council, the People's Republic of China, 2011, 2014], is deducted, China provided foreign aid in the amount of RMB 255 billion ($38 billion) in 2013–16.

Nevertheless, this information does not fully align with other data on China's foreign development assistance (FDA). In particular, in March 2017 the Xinhua agency, with reference to the ministry of finance of the PRC, provided data on China's foreign aid in 2012–16 [Ren, Zhou, 2017] according to which the total amount for the period reached RMB 92.3 billion ($13.8 billion). Excluding data for 2012, the total volume of China's FDA in 2013–16 was RMB 75.6 billion ($11.3 billion), including RMB 19.4 billion ($2.9 billion) in 2015 and RMB 20.6 billion ($3.1 billion) in 2016. The inconsistency of data on China's FDA impedes the analysis.

The key stakeholders in China's development finance and fulfilment of investment projects abroad are the Export-Import Bank of China (CEIB) and the China Development Bank (CDB). They "provide an intermediation function between financial markets and recipient countries based on a mechanism of sovereign guaranteed repayment of loans and market access for Chinese companies" [Zheng, 2016]. The banks review proposed projects for bankability and feasibility, risks, and payment capacity, and then decide on whether to provide finance. The legal bases of disbursements are agreements between the state bodies of the recipient countries and are independent of other Chinese ministries China International Development Cooperation Agency, which succeeded the Ministry of Commerce in this capacity [Zhou, Zhang, 2018].

It should not be forgotten that the banks evaluate forthcoming investments from the point of view of China's interests, which do not always align with the national interests of its investment partners. Rather low quality of governance in China's partners from the LDCs has frequently caused irrational costs and made it impossible for them to meet their obligations to China. As a result, titles to many projects and investment objects have been transferred to Chinese economic operators, inducing public dissatisfaction. Many developed countries competing with the PRC for influence in emerging markets accuse China of drawing its partners into a "debt trap" [Challaney, 2017]. Many observers point to the Hambantota Port of Sri Lanka, which was leased to China Merchant Port Holdings Limited (CM Port) for 99 years for $1.12 billion in 2017 due Sri Lanka's incapacity to serve China's loans, as a vivid example of China's "debt diplomacy." Nevertheless, some experts think that "the real picture of Sri Lanka's debt crisis is very different and far more destructive. Debt owed to China is in fact the tip of the iceberg, and that should make the debt crisis all the more alarming. The Hambantota port deal is not merely an issue of Chinese debt – Sri Lanka has much larger economic issues that go well beyond the debt owed to China" [Moramudali, 2019]. Improper assessment of possible implications of China's finance and overestimation of its own capacities by Sri Lanka's authorities aggravated the situation.

The tight nature of China's foreign aid means that the vast majority of the projects are implemented by Chinese companies. Such an approach also limits possible benefits for the PRC's partners. "To some extent, Chinese aid patterns share some similarities with Japan's aid model, which is noticeably distant from the orthodox ODA model" [Zheng, 2016], and uses foreign aid to improve the international competitiveness of Japanese companies and their presence in targeted markets. Thus, the Measures on the Management of Foreign Technical Assistance Projects (Art. 3) stipulates that "technical assistance projects are in general terms implemented by the Chinese side. If the recipient is willing to implement, the Chinese side can take into account the actual situation and decide through consultation with the recipient, and hand over the technical assistance project to the recipient side for implementation" [Ministry of Commerce of the People's Republic of China, 2015]. According to the Forum on China-Africa Cooperation (FOCAC) Beijing Action Plan (2019–21) adopted on 4 September 2018 "China will support Chinese companies in participating in Africa's infrastructure development by way of investment-construction-operation or through other models, with focus on enhancing cooperation on energy, transport, information, telecommunications and cross-border water resources" [FOCAC, 2019, Para. 3.3.2]. As a result, Chinese companies absorb most of China's development assistance. The Chinese scholar Zheng Yu supposes that "Chinese companies, regardless of their ownership structure, can use aid schemes to advance their commercial interests, which may create unintended consequences on foreign policy objectives" [Zheng, 2016].

Financial resources provided by China for FDA mainly fall into three types: grants (aid gratis), interest-free loans and concessional loans [Information Office of the State Council..., 2011]. "Grants are mainly used to help recipient countries to build hospitals, schools and low-cost houses, and support well-digging or water-supply projects, and other medium and small projects for social welfare. In addition, grants are used in projects in the fields of human resources development cooperation, technical cooperation, assistance in kind and emergency humanitarian aid" [Ibid.]. China hardly ever provides FDA in the form of cash. The grants are the nominal amounts of funds allocated for project implementation. A vivid example of a project fulfilled with the PRC's $8 million grant is the construction of two schools in Juba (South Sudan) [All Africa, 2017].

"Interest-free loans are mainly used to help recipient countries to construct public facilities and launch projects to improve people's livelihood. The tenure of such loans is usually 20 years, including five years of use, five years of grace and ten years of repayment. Currently, interest-free loans are mainly provided to developing countries with relatively good economic conditions" [Information Office of the State Council..., 2011]. The operator of the interest-free loans is the CDB. The main difference between grants and interest-free loans is the requirement to repay the latter. By the end of 2018, the CDB has extended more than $50 billion in funding to nearly 500 projects in 43 African countries [CDB, 2019].

China's $30 million loan to Zambia in September 2018 [Solomon, 2018] is one example. The PRC successfully capitalized its influence there; Zambia has received financing from China many times. In 2017 the Zambian government forced the Zambia National Broadcasting Corporation (ZNBC) into a joint venture with the Chinese Start Times to form a company named TopStar Communications Limited. The new company will collect revenues for the next 25 years to service a $273 million loan by China to digitalize ZNBC's operations. Start Times owns the majority 60% of TopStar Communications Limited, while ZNBC has a minority stake of 40% [Tumfweko, 2017].

One of the key mechanisms for delivering financing by the CDB is the China-Africa Development Fund (CADFund), through which the CDB has channelled about $23 billion worth of investment to Africa [CDB, 2019]. China's financing influence is supported by the China-Africa Inter Bank Association founded in September 2018 in the margin of FOCAC. The parties to the agreement are the CDB and 16 African banks. The main goal of the cooperation is to "enhance financial cooperation between all member banks to advance partnership in various domains such as China-Africa infrastructure interconnection, international cooperation and exchange in the humanities" [Business Insider, 2018].

"Concessional loans are mainly used to help recipient countries to undertake productive projects generating both economic and social benefits and large and medium-sized infrastructure projects, or to provide complete plant, mechanical and electrical products, technical services and other materials. Concessional loans are raised by the CEIB on the market, and since the loan interest is lower than the benchmark interest of the People's Bank of China, the difference is made up by the State as financial subsidies. The annual interest rate of China's concessional loans is between 2% and 3%, and the period of repayment is usually 15 to 20 years (including five to seven years of grace)" [Information Office of the State Council, the People's Republic of China, 2011].

The distinctive feature of the concessional loans mechanism is an active application of the private-public partnership (PPP) targeted at accumulating significant sources for infrastructure projects. In PPP projects, Chinese finance covers the majority of project expenditures (around 85%). The remaining expenses are covered by the governments of the recipient countries [Mardashev, 2011]. Concessional loans of the CEIB do not fall into the categories of trade, investment, or aid, being part of the big investment deals.

One of the major examples of a concessional loan by China is the construction of the 756 km Ethiopia-Djibouti railway by China, completed in 2016. Construction of the Ethiopian section of the route cost around $3.4 billion, 70% financed by the CEIB and 30% by the Ethiopian government [Railway Gazette International, 2016]. A consortium of the China Civil Engineering Construction Corporation (CCECC) and the China Railway Group (CRG) was assigned to carry out the operation and management of the railway [CCECC, 2016].

The launch of the BRI, in which 126 states and 29 international organizations take part, has significantly contributed to the expansion of the activities of the CDB and the CEIB [Mikhnevich, 2019]. Since the launch of the BRI, the CDB has issued loans for more than 600 projects in the Belt and Road (B&R) countries, to a value surpassing $190 billion. The CEIB provided finance for more than 1,800 projects (over $90 billion) [Weizhen, 2019].[3]

For project implementation, China also utilizes new institutions such as the $40 billion Silk Road Fund (SRF)[4] and the Asian Infrastructure Investment Bank (AIIB), whose registered capital is $100 billion. Since the establishment of the SRF, contracted investment under the fund has reached $11 billion, with actual investment adding up to $7.7 billion [Office of the Leading Group for Promoting the Belt and Road Initiative, 2019]. As of the end of August 2019, the AIIB has signed 46 projects. The volume of the bank's investments in these projects amounted to $8.87 billion. Ten projects came from India, the major beneficiary of the bank, followed by Indonesia and Bangladesh (five projects each) [AIIB, n. d.].

Taking into account that loans are frequently supplied by the investments of Chinese companies, the level of dependence of many developing countries, especially the LDCs, on Chinese financial sources will, in the mid- and long-term perspective, exceed the level of dependence on other foreign investors. For instance, in 2018 China was the second-largest investor in Africa behind the EU – greenfield FDI projects announced by China in 2018 reached $11.93 billion, increasing from $8.7 billion in 2017 [UNCTAD, 2019b, p. 35].

This is to a large extent related to increased Chinese activity under the FOCAC framework. At the 2015 FOCAC summit Xi Jinping announced 10 major plans to boost cooperation with Africa covering such areas as industrialization, agricultural modernization, infrastructure, financial services, green development, trade and investment facilitation, poverty reduction and public welfare, public health, people-to-people exchanges, and peace and security. To ensure smooth implementation of the initiatives, Xi announced that China would offer funding support in the amount of $60 billion, including $5 billion in free aid and interest-free loans, $35 billion in preferential loans and export credit on more favourable terms, $5 billion in additional capital for the China-Africa Development Fund and the Special Loan for the Development of African SMEs each, and a China-Africa production capacity cooperation fund with initial capital of $10 billion [Xinhua News Agency, 2015].

At the 2018 FOCAC summit China undertook to:

- encourage Chinese companies to make investments worth at least $10 billion in Africa in the next three years;
- set up a $5 billion special fund for financing imports from Africa;
- extend $20 billion in credit lines,
- support the setting up of a $10 billion special fund for development financing;
- extend $15 billion in grants, interest-free loans and concessional loans to Africa.

[3] For more on BRI outcomes see S. Mikhnevich [2017, 2019].

[4] In 2017 the SRF capital was raised by RMB100 billion.

For African LDCs, heavily indebted and poor countries, landlocked developing countries, and small island developing countries that have diplomatic relations with China, any debt they had incurred in the form of interest-free Chinese government loans due to mature by the end of 2018 would be exempted [FOCAC, 2019].

Simultaneously, PRC authorities introduced some measures aimed at systematization of outbound FDI and prevention of severe capital flight. According to Forbes, in 2008–17 "an estimated $3.8 trillion in capital has left China. Net FDI over the same period of time has amounted to $1.3 trillion, leaving the country with a net loss" [Gunter, 2017]. A significant amount of the withdrawn resources was disguised as FDI.

To improve the situation, the National Development and Reform Commission (NDRC) together with three state bodies issued Opinions on Further Guiding and Regulating Outbound Investment No 74 in August 2017, promulgated then by the state council. The document classified outbound investment into three groups depending on the sector and recipient country: encouraged, restricted, and prohibited transactions [Office of the State Council of the People's Republic of China, 2017]. In December 2017 the NDRC issued Administrative Measures for Enterprise Outbound Investment No 11 [NDRC, 2017]. According to the document, monitoring of outward investments would no longer be limited to pre-transaction verification and record-filing, but also would cover the periods during and after transactions. The Administrative Measures categorized outbound investments into two types: those conducted directly by domestic investors and those conducted through overseas enterprises controlled by domestic investors [Wang, Huang, Tang, 2018]. Subsequently, in 2018 Chinese authorities adopted Management Provisions for Outward Investment by Enterprises and the Interim Measures for Reporting on the Registration (Approval) of Outward Investment [NDRC, 2019].

*Table 2. Re*quirements for Verification/Record-Filing of Outbound FDI in the PRC Under Administrative Measures for Enterprise Outbound Investment No 11

Type of Investment	**Amount of** Investment **by Chinese** Party	**Outbound** Investments Conducted Directly **by** Domestic Investors	**Outbound** Investments Conducted **by** Domestic Investors Through Controlled Overseas Enterprises
Sensitive Sector	Any amount	Verification by NDRC	Verification by NDRC
Non-Sensitive Sector	⩾ $300 million	Record-filing at NDRC	Situation report for non-sensitive projects with large amount an NDRC
	⩽$300 million	Centrally managed state-owned enterprises: record-filing at NDRC	No pre-transaction verification, record-filing or report required
		Other enterprises: record-filing at the provincial level NDRC	

Source: Based on NDRC [2017].

FDI policy regulations are under constant development. That should support restoration of the PRC's leading position as an international investor: in 2016–18, due to strengthening control Chinese outbound FDI had fallen from $196 billion to $130 billion per year

[UNCTAD, 2018, 2019]. First estimations of Chinese outbound FDI in 2019 do not show positive trends: in 2019 Chinese outbound FDI declined 6% to RMB 807.95 billion ($118 billion) [Reuters, 2020].

Another serious problem is "hidden investment" by the PRC. According to S. Horn, C. Reinhart and C. Trebesch [2019] about one half of China's overseas loans to the developing world are hidden. As of 2018, the government of China held debt of more than $5 trillion owed by the rest of the world (6% of world GDP), up from less than $500 billion in the early 2000s (1% of world GDP). If added to foreign equity and direct investments (not shown), China's total financial claims abroad amounted to more than 8% of world GDP (nearly $6.7 trillion) in 2017 [Horn, Reinhart, Trebesch, 2019, p. 5]. Horn, Reinhart and Trebesch note that "today's debt levels in the developing world look dangerously close to their level in 1981, just before the so-called 'Third World Debt Crisis' broke out. This is particularly true once we add 'hidden" Chinese debts' [Ibid., p. 30]. Non-transparency of many developing countries' international obligations to China, their biggest debt holder, significantly impedes decision-making to prevent possible crisis.

The position of China in the partner-states is being strengthened by the "third-party market cooperation" model (TPMC). Applying this model, Chinese enterprises and their counterparts in developed countries can jointly implement projects in third countries. According to Loletta Chow, global leader of EY China Overseas Investment Network and B&R Task Force leader, TPMC "is able to connect China's competitive production capacity and developed countries' advanced technology with the third-party's vast development demand" [Chen, 2019]. According to French Ambassador to China Jean-Maurice Ripert, China and France are discussing 13 projects for development under the TPMC. Besides France, China has also signed TPMC documents with Japan, Spain, the Netherlands, Belgium and Australia, as well as with some international organizations [Cao, 2019].

A special direction of Chinese FDA is the establishment of economic and trade cooperation zones. By September 2018, China had established 113 such zones in 46 countries, while Chinese businesses had invested more than $36.6 billion. The 4,663 companies working there generate about $3.1 billion in tax revenue and created approximately 287,000 jobs in the host countries [EY, 2018, p. 5].

Trade policy

China applies an active trade policy, reasonably considering it to be a very important instrument of national economic development, especially in conditions of severe economic war with the U.S. In this regard, China is working to gradually switch the existing model of export-oriented development to one driven by domestic demand. It implies, on the one hand, the extension of imports, and support for the competitiveness of national enterprises, on the other.

In the context of reaching indicator 2.b.2 *Agricultural export subsidies* and changes to the tariffs for agricultural export and import to/from the developing countries and the LDCs, such an approach leads to interesting and ambiguous political decisions. While the total volume of global export subsidies (applied by WTO members) has fallen (from $3.8 billion in 2003 to $117 million in 2016) [UN, n. d., b], the overall amount of support for agricultural producers is far from decreasing. Agricultural support for producers in the PRC in 2015–18 was approximately $200 billion a year, compared to $26 billion in 2003 [OECD, n. d.].

In the years since the PRC's accession to the WTO, China's average import tariff has decreased from 15.3% in 2001 to 7.5% in 2019 [Aleksandrova, 2018, p. 275; Li, 2019]. As rightly pointed out by M. Alexandrova, the "result had been achieved mainly through bilateral trade agreements signed by China" [Aleksandrova, 2018]. Today China is the party to 15 such agreements.[5]

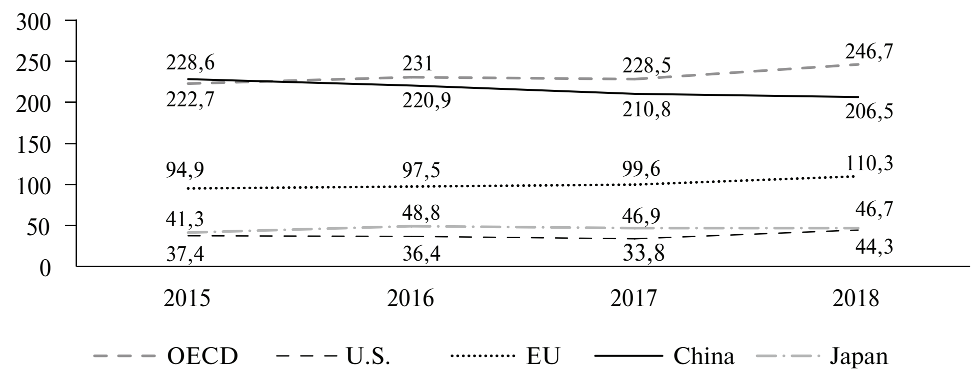

Fig. 1. Agricultural Producer Support, $ billion

Source: [OECD, n. d.].

China's movement toward decreased tariffs under existing foreign trade agreements (FTAs) is consistent with current international trends: the improvement of terms and conditions under signed agreements and those being established creates new trade barriers for outsiders. Taking this into account, China is facilitating negotiations on the Regional Comprehensive Economic Partnership (RCEP). As a result, members of the new agreement will create a new type of FTA, covering not only tariff issues but also non-tariff barriers, intellectual property, digital commerce, investments, and standards.

The internationalization of technical standards is very important to China. For this purpose, China is utilizing its international initiatives such as the BRI (via the Action Plan on Belt and Road Standard Connectivity) and introducing new ideological concepts such as institutional openness (IO). IO should replace openness through the movement of goods and production factors. It "assumes 'soft forms of connectivity' with common rules, standards, certification procedures, and intellectual property rights" [Zhao, 2019, p. 29]. Thus, promoting the IO concept, China builds capacity for gaining influence in spheres where it most often had to abide by the rules and standards stipulated by other actors.

China has three main types of import tariff regulations [Aleksandrova, 2018]. The first is the general trade regime for WTO non-members which imposes the maximum import tariff rates. The second is the most-favoured-nation (MFN) regime applied to WTO members and countries that have signed agreements with China on MFN maintenance. It assumes reduced import tariff rates and covers 99% of trade items (namely, 8,549) [Ministry of Finance of the People's Republic of China, 2018].

The third is preferential tariffs (PT), which are lower than the MFN tariffs. They apply to imports from some countries, and to some trade items irrespective of the exporting country. The number of trade items subject to interim preferential import tariff rates was reduced from 948 to 706 in 2019 [Ibid., 2017; 2018].

The PRC's average import tariff rates in contrast to the EU and the U.S. do not demonstrate constant reduction; this is similar to the Japanese approach, in which there has been an

[5] Author's calculations based on WTO [n. d., a].

increase in rates after a slight decline. But unlike with Japan, the PRC's average import tariff rate from 2015–17 decreased by 0.7%, and has not grown.

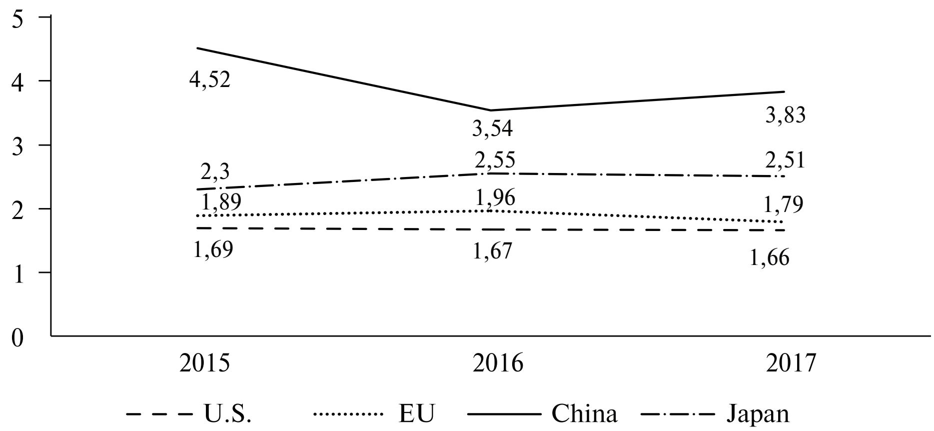

Fig. 2. Average Import Tariff Rates, %

Source: [World Bank, n. d., d].

The dynamics of average tariff rates applied by China under the MFN and PT regimes are unsustainable. The decrease in rates of most tariff lines in 2016 gave way to growth in 2017 that, to some extent, exerted pressure on China's imports of appropriate products. Nevertheless, within three years, rates of all tariff lines had been reduced.

Table 3. Average Tariff Applied by the PRC Under MFN and PT Regimes by Type of Product, %

Type of Product	**2015, MFN/PT**	**2016, MFN/PT**	**2017, MFN/PT**
Agricultural products	11.49452/9.24926	12.0711/9.20954	11.95115/9.01074
Arms	13.00884/12.73241	13.04521/11.03205	13/12.39568
Industrial products	7.91048/5.38717	3.74072/2.88221	4.41724/3.62125
Oil	0/0	0/0	0/0
Clothing	16.04429/9.9698	16.16864/7.71158	16.05713/9.0394
Textiles	7.72047/5.26113	7.58446/4.59315	7.83193/5.04397
All products	7.47456/5.19257	4.06539/3.09468	4.58926/3.67714

Source: [UN, n. d., b].

Today the lowest import tariffs are applied by the PRC to countries that are major exporters of commodities to China. Only eight tariff groups are subject to China's import quotas: wheat, maize, rice, sugar, wool, woollen clothing, cotton and chemical fertilizers [Ministry of Finance of the People's Republic of China, 2018].

China's partners from the LDCs and low-income developing countries enjoy the most favourable tariff treatment. This approach contributes to the positive dynamics of indicator *17.12.1 – Average tariffs faced by developing countries, LDCs and small island developing States,* and facilitates duty-free and quota-free access by the LDCs to China's market. On 1 April 2017, the new Administrative Measures of the PRC Customs on Rules of Origin of Imported Goods from the LDCs Entitled to Special Preferential Tariff Treatment (the General Administration of Customs of the PRC Decree No 231) entered into force. The new Decree made exporting goods to China easier for the LDCs by expanding the criteria determining the national source of a product and streamlining the consignment process. The list of the beneficiaries was extended to 41 LDCs (31 in Africa and 10 in Asia) [UN, n. d., c]. To support the LDCs in implementing the 2014 WTO Trade Facilitation Agreement (which was fully implemented by the PRC) [WTO, n. d., b], China donated $1 billion [Ibid., 2018].

China is gradually extending duty-free treatment to a significant share of imports from the LCDs and developing countries (Table 3). In 2017 the proportion of tariff lines applied by China to imports from the LDCs and developing countries with zero-tariff reached 36.68805% (34.60758% in 2015) [UN, n. d., b]. However, the fact that many developed countries outstrip China on this indicator should be a subject of attention for Chinese authorities. At the same time, duty-free quota-free treatment (the DFQF scheme) for LDCs granted by China has covered 96.6% of tariff lines (93.5% of tariff lines for agricultural products, 97.1% for others) [Ibid., n. d., d]. The DFQF scheme is available to all LDCs that have diplomatic relations with China [Ibid., n. d., e].

Table 4. Proportion of Tariff Lines Applied by the PRC to Imports From the LCDs and Developing Countries With Zero-Tariff, %

Type of Product	2015	2016	2017
Agricultural products	34.14461	33.69783	35.90482
Arms	27.73109	29.03981	31.52174
Industrial products	37.25147	37.64189	39.14997
Oil	62.5	57.89474	68.96552
Clothing	15.33568	15.29873	20.15559
Textiles	25.14476	25.81373	27.45283
All products	34.60758	34.90806	36.68805

Source: [UN, n. d., b].

The PRC's weighted applied duty on imports from the LCDs in 2017 has been 0.8%, including 14.5% for agricultural products (making up 64.4% of China's agricultural imports from the LCDs) and 0.2% for other products (98.5% of China's other imports from the LCDs) [WTO, 2019].

Analysis of the PRC's trade with the LCDs shows that the LDCs-10 list consists of six African countries (Angola, Democratic Republic of the Congo, Ethiopia, Sudan, Tanzania and Zambia), three countries from the Asia-Pacific (Democratic People's Republic of Korea, Cambodia and Myanmar) and one South Asian country (Bangladesh). Angola is the largest LDCs-10 exporter to China (with 48.65% of the LDCs-10 combined export volume) while Bangladesh is the largest importer of Chinese products among the members of the group (29.68% of the PRC's exports to the LDCs-10).

In 2015–17 China's exports to the LDCs-10 was 1.4 times higher than Chinese imports from these countries. In this period, the exports and imports of the LCDs to China demonstrated similar dynamics: a slight decrease in 2016 and return to growth in 2017. But while LDCs-10 exports in 2017 significantly surpassed the volumes of 2015, imports did not reach 2015 levels.

Table 5. China's 10 Largest Trade Partners Among the LCDs and Low-Income Countries (LDCs-10)

Exports to the PRC, $ billion					**Imports From the PRC, $ billion**					**Total Trade (exports + imports) 2015–17, $ billion**
Year / Country	2015	2016	2017	Total	Year / Country	2015	2016	2017	Total	
Angola	14.28	12.78	15.4	42.46	Angola	4.01	1.75	2.28	8.04	50.5
Bangladesh	0.76	0.88	0.86	2.5	Bangladesh	11.67	11.8	12.45	35.92	38.42
Myanmar	4.68	4.61	5.34	14.63	Myanmar	6.43	5.4	6.12	17.95	32.58
DPRK	3.31	2.54	1.53	7.38	DPRK	4.01	3.49	3.71	11.21	18.59
Ethiopia	0.28	0.33	0.34	0.95	Ethiopia	5.61	5.21	5.06	15.88	16.83
Cambodia	0.4	0.53	0.75	1.68	Cambodia	3.27	3.95	4.37	11.59	13.27
Dem. Rep. of the Congo	2.28	2.19	3.33	7.8	Dem. Rep. of the Congo	1.47	1.15	1.05	3.67	11.47
Sudan	1.13	1.38	1.68	4.19	Sudan	2.4	1.95	2.24	6.59	10.78
Tanzania	0.39	0.3	0.19	0.88	Tanzania	2.52	2.71	2.62	7.85	8.73
Zambia	1.38	1.23	2.29	4.9	Zambia	0.75	0.61	0.97	2.33	7.23
Total:	28.89	26.77	31.71	87.27	Total:	42.14	38.02	40.87	121.03	208.3

Source: Author's calculations based on UNCTAD [n. d.].

The total number of LDCs-10 countries' priority product groups in terms of exports to the world market (hereinafter, WPPG) reached **25 items** (Annex 1).[6] The LDCs-10 countries are competitors in **15 product groups** on the global market (appropriate product groups are export priorities of two of the LDCs-10 countries, at least). **Three product groups** (articles of apparel & clothing accessories; gold, non-monetary (excluding gold ores and concentrates); vegetables and fruits) are priorities for four LDCs-10 countries at once. F**our product groups** (fish, crustaceans, molluscs and preparations thereof; metalliferous ores and metal scrap; non-metallic mineral manufactures, n.e.s.; petroleum, petroleum products and related materials) are priority sectors for three of the LDCs-10 countries. **Ten product groups** are unique priorities for separate LDCs-10 countries and do not overlap with other each other. For Angola such special products are cork and wood; crude fertilizers other than division 56, and crude minerals; for Bangladesh – textiles fibres and their wastes; for Cambodia – road vehicles; for the Democratic Republic of the Congo – inorganic chemicals; for the DPRK – coal, coke and briquettes; iron and steel; for Myanmar – gas, natural and manufactured; for Sudan – live animals other than animals of division 03. Zambia, Tanzania and Ethiopia do not have priority product groups which do not coincide with other LDCs-10 countries' export priorities.

Not all WPPGs of the LDCs-10 countries are the priority product groups of the exports to China (hereinafter – CPPG). China did not import coffee, tea, cocoa, spices, and manufac-

[6] For each LDC-10 the five largest export products to the global market (WPPG) have been identified. These were combined to define the sectoral structure of the LDCs-10 countries' export priorities.

tures thereof from Angola in 2015–17; nor inorganic chemicals from the Democratic Republic of the Congo in 2016–17; nor gold, non-monetary (excluding gold ores and concentrates) from Cambodia, Ethiopia or Sudan in 2015–17. China's imports of some WPPGs of LDCs-10 countries are statistically insignificant.

China's share in the exports of LDCs-10 countries' **five largest WPPGs[7] was 25.05% ($64.502 billion)** of their total appropriate exports to the global market (**$257.504 billion**) in 2015–17. From the five largest WPPGs, four sectors coincide with CPPGs.[8]

The share of the PRC in LDCs-10 countries' **five largest CPPGs' exports** was **26.96%** (**$67.477 billion**) of their appropriate exports to the world market **($250.186 billion**) in 2015–17. Moreover, the ratio between petroleum, petroleum products and related materials exports from the LDCs-10 countries to China (the most important product group of LDCs-10 exports for China) and the LDCs-10 countries' exports of these products globally reached **46.64% ($44.992 billion)** in 2015–17. The PRC's share in all **25 WPPGs' exports** by LDCs-10 countries to the global market was **25.33% ($83.045 billion)** of their total appropriate exports to the world market (**$327.858 billion**).

The LDCs-10 countries' **five largest WPPGs** in 2015–17 accounted for **8.03% ($73.776 billion)[9] of China's appropriate global imports in total ($918.504 billion**) or **9.27%** of China's appropriate imports from all LDCs (**$796.13 billion**).

As for the significance of LDCs-10 countries for China's exports, the share of these countries in the exports of the five largest WPPGs from China in 2015–17 was just **0.9% ($28.741 billion)** of global exports worth **$3,191.385 billion**. Interestingly, one of the WPPGs (articles of apparel & clothing accessories) is a priority for China and the LDCs-10 countries as well. Exports by the LDCs-10 of articles of apparel & clothing accessories to the global market in 2015–17 were worth $111.499 billion (34% of the LDCs-10 total exports of WPPGs), while the appropriate exports from the PRC reached $490.216 billion (15.36% of China's WPPGs exports). So, China and the LDCs-10 countries are competitors in this product group on the global market. Simultaneously, the significance of this WPPG's exports compared to those of other WPPGs is higher for the LDCs-10 than it is for China. The share of the LDCs-10 in China's global exports of the **five largest priority product groups of China's exports to the LDCs-10** (hereinafter, LPPG[10]) is **2.59% (**LPPG exports to the LDCs-10 from China worth **$61.009 billion** against appropriate Chinese exports to the world market worth **$2,351.188 billion**).

The PRC's trade policy regarding exports from the LDCs-10 countries to China is very active. In 2015–17 it included, at least, 141 liberalizing and 42 harmful interventions. It is important to note that many of these interventions were not targeted, but rather have had an indirect influence on LDCs-10 countries' exports. The largest number of liberalizing interventions has been implemented toward the exports of Angola and Sudan, while most of the harmful measures have affected Myanmar and Bangladesh. The product group covered by the most liberalizing and protectionist interventions is petroleum, petroleum products and related materials, with 44 and six interventions respectively.

[7] Articles of apparel & clothing accessories; petroleum, petroleum products and related materials; non-ferrous metals; gas, natural and manufactured; gold, non-monetary (excluding gold ores and concentrates).

[8] With the exception of gold, non-monetary (excluding gold ores and concentrates. The fifth CPPG is coal, coke and briquettes.

[9] The data vary due to differences in the data sources for UNCTAD Stat (national statistical services of the LDCs-10 and General Administration of Customs of the PRC).

[10] Textile yarn and related products; electrical machinery, apparatus and appliances, n.e.s.; telecommunication and sound recording apparatus; iron and steel; road vehicles.

Table 6. The PRC's Trade Interventions and the Dynamics of China and LDCs-10 Trade in LDCs-10 WPPGs

Country	Number of Interventions		LDCs-10 Export Covered Interventions, $ Million				Average Custom Tariff Rate, %
	Libera-lizing	Harmful	Libera-lizing and Harmful	Only Harmful	Only Libe-ralizing	Total Export Covered by All Types of Measures	
Angola	23	4	42,434	0.001	0.004	42,434.005	0.02
Bangladesh	14	8	446.83	176.23	895.9	1,518.96	2.79
Cambodia	11	3	203.14	0	292.18	495.32	0.55
DPRK	19	4	152.46	2,859.4	3,243.83	6,255.69	-
Dem. Rep. of the Congo	15	4	331.23	1,811.3	2,695	4,837.53	4.77
Ethiopia	10	3	253.34	0	240.86	494.2	0.41
Myanmar	14	10	6,328	1,715.78	1,241.64	9,285.42	0.78
Sudan	21	3	480.52	0.0008	1,039.5	1,520.021	6.92
Tanzania	9	1	0	131.83	58.43	190.26	0.48
Zambia	5	2	1,118	0.0008	1,247.54	2,365.541	0.72
Total	141	42	51,747.52	6,694.54	10,954.88	69,396.95	

Source: Author's calculations based on Global Trade Alert [n. d.] and UNCTAD [n. d., 2016].

The main volume of the liberalizing measures covers LDCs-10 commodity exports to China. In some cases, the interventions are implemented toward import products that are not the most important for China, or toward products which are not or almost not produced in the partner countries. At the same time, some sectors (for example, articles of apparel & clothing accessories), being China's WPPGs or in need of additional support, are subject to direct or indirect harmful measures, irrespective of the products' complexity.

Conclusion

The results of the survey affirm the importance of China as an economic partner for many LDCs, in particular the LDCs-10 countries. China accounts for at least 25% of their exports in the WP-PGs and other products as well. This highlights the dependence of the LDCs' economic growth and development on their trade with China. The situation with investments reaffirms China's significance – China is one of the largest investors in Myanmar, Cambodia and Bangladesh. In Myanmar, China is second to Singapore as the largest investor ($20.37 billion in accumulated FDIs as of 31 January 2019, $5.5 billion in investments in 2015–18, $1.395 billion in investments in 2017–18) [DICA, n. d.]. In Cambodia and Bangladesh, China is the largest investor with $8.75 billion (from 2016–August 2019)[11] and $1.03 billion (in 2018) [Bdnews24.com, 2019], respectively. The situation with China's investments in African LDCs-10 countries is similar.

[11] Author's calculations based on Council for the Development of Cambodia [n. d.] and Xinhua News Agency [2019].

The PRC's initiatives and practical decisions are very important factors promoting a favourable environment for the sustainable development of the LDCs. Against the background of declining activities by traditional donors and partners from developed countries, China's growing engagement raises the interest of the LDCs in enhancing partnership with the PRC. Not all values and ideals promoted by China, such as mutual benefits and cooperation without additional conditions, are fully abided. In situations where the quality of corporate governance is insufficient, the economy is weak and partnership conditions are not transparent, collaboration with China might lead to serious consequences for the LDCs. However, cooperation with the PRC is one of the few, if not the single, chances for many countries to escape extreme poverty. China clearly understands this situation and pragmatically pursuits its interests. An interesting implication of the cooperation between the LDCs-10 countries and China is a decrease in conflicts between the neighbouring LDCs in situations when cooperation with China requires involvement of a neighbour. This question is very topical for many landlocked LDCs frequently having difficulties with their neighbours. In this context, construction and operation by the PRC of the Djibouti-Ethiopia railroad contributed to their constructive relationship.

*Table 7. Dy*namics of the Indicators of the Socio-Economic Development of the LDCs-10 and China

Country	GDP per Capita, 2015/18,[12] $ Thousand	Human Development Index, 2015[13]/18,[14] Rank in the World	Corruption Perception Index, 2015/18,[15] Rank in the World	Democracy Index, 2015/18,[16] Rank in the World	Global Competitiveness Index, 2014/15–2017/18,[17] Rank in the World	Gross Capital Formation, 2015/17, % GDP[18]	Unemployment, 2015/18,[19] % of Total Labour Force
Angola	7,097/6,452	149/147	163/165	131/123	140/–	34.2/24.1	7.3/7.3
Bangladesh	3,451/4,372	142/136	139/149	86/88	109/99	28.9/30.5	4.4/4.3
Cambodia	3,514/4,361	143/146	150/161	113/125	95/94	22.5/22.9	1.2/1.1
DPRK	696/685[20]	–	167/176	167/167	–/–	–/–	3.5/-3.3
Dem. Rep. of the Congo	867/932	176/176	147/149	157/165	–/126	18.5/25	4.2/4.2
Ethiopia	1,622/2,022	174/173	102/114	123/128	118/108	40.7/38.5	2/1.8
Myanmar	5,372/6,674	148/148	147/132	114/118	134/131[21]	34.6/32.8	0.8/1.6
Sudan	4,552/4,759	167/167	165/172	151/155	–/–	16.6/18.9	13.2/12.9
Tanzania	2,791/3,227	151/154	117/99	91/91	121/113	32.8/34	2.1/1.9
Zambia	3,928/4,224	139/144	76/105	73/86	96/118	42.8/38.2 (2016)	7.5/7.2
China	14,455/18,237	90/86	83/87	136/130	28/27	45.6/44.3	4.6/4.4

Sources: Compiled by the author.

[12] [World Bank, n. d., a].
[13] From 188 countries and territories [UNDP, 2015].
[14] From 189 countries and territories [UNDP, 2018].
[15] From 167 countries in 2015, and from 180 countries in 2018 [Transparency International, 2016; 2019].
[16] From 167 countries in 2015 and 2018 [The Economist Intelligence Unit, 2016; 2019].
[17] From 144 in 2014–15, and from 137 in 2017–18 [Schwab, 2014; 2017].
[18] [World Bank, n. d., b].
[19] [World Bank, n. d., c].
[20] [UN, n. d., f].
[21] [Schwab, 2015].

Serious asymmetry in the scope of interdependence in the cooperation between the LDCs-10 countries and China cannot be overlooked. The LDCs-10 countries are significant exporters to China, in particular, supplying commodities. More than **8%** of the PRC's global imports of the LDCs-10's WPPGs comes from the LDCs-10. At the same time, the role of the LDCs-10 countries as importers of China's products is not significant. They account for just **0.9%** of the export volume of China's WPPGs, and **2.59%** of China's LPPGs.

Meanwhile, the important question of whether economic cooperation between the PRC and the LDCs-10 countries leads to complex enhancement of the situation in the interests of the PRC and the LDCs remains unanswered. Table 6 contains the dynamics of some indicators of socio-economic development of the LDCs-10 countries and China in 2015–18.

Using the above data, even given a lack of some information, it cannot be definitely claimed that the LDCs-10 countries, in developing active trade and investment partnership with the PRC, have seriously succeeded in resolving their key political, economic and social problems. We also cannot prove the negative effects of cooperation with China for improving indicators of the LDCs due to many externalities impacting situations.

However, it can be argued with reasonable certainty that cooperation with China, despite many opportunities and chances, is not a universal remedy to the challenges of implementing the SDGs. Partly, it is connected with ineffective models of economy and government, serious costs of doing business, high uncertainty, and many other problems not significantly influenced by a constructive cooperation with the PRC. Modest successes by LDCs in sustaining their development resulted from domestic factors. It is obvious when comparing their situation with the PRC, which despite a weak starting position, has succeeded in modernizing its economy and improving people's welfare. However, China faces new challenges to maintaining sustainable and dynamic development. The outcomes of Chinese policy will impact perspectives not only of the PRC but of dozens of countries and their populations.

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Annex 1. Priority Product Groups of Exports by LDCs-10 Countries to the World Market

Angola	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Petroleum, petroleum products and related materials	92,081,845.97
Crude fertilizers other than division 56, and crude minerals	2,733,115.4
Fish, crustaceans, molluscs and preparations thereof	160,717.89
Cork and wood	21,351.46
Coffee, tea, cocoa, spices, and manufactures thereof	3,163.58
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$95,000,194.3/100%/*44.69%*/27.25%
Bangladesh	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Articles of apparel & clothing accessories	84,828,664.78
Textile yarn and related products	5,018,884.58
Footwear	2,229,253.71
Fish, crustaceans, molluscs and preparations thereof	1,859,596.27
Leather, leather manufactures and dressed furskins	990,166.79
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$101,538,390.9 /93.49%/*2.05%*/13.4%
Cambodia	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Articles of apparel & clothing accessories	19,278,418.15
Footwear	2,906,281.88
Gold, non-monetary (excluding gold ores and concentrates)	1,030,438.04
Vegetables and fruits	939,917.92
Road vehicles	820,265.52
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$30,700,759.99/81.35%/*2.26%*/44%
Democratic People's Republic of Korea	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Coal, coke and briquettes	3,041,697.53
Articles of apparel & clothing accessories	2,184,068.92
Metalliferous ores and metal scrap	683,771.36
Fish, crustaceans, molluscs and preparations thereof	512,532.45
Iron and steel	284,709.32
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$7,983,538.96/84.01%/*97.14%*/7.54%

Democratic Republic of the Congo	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Non-ferrous metals	11,243,828.52
Metalliferous ores and metal scrap	2,851,414.69
Non-metallic mineral manufactures, n.e.s.	1,266,721.54
Inorganic chemicals	954,968.98
Petroleum, petroleum products and related materials	899,466.35
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$19,100,000/90.13%/ *44.47%*/19.2%
Ethiopia	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Coffee, tea, cocoa, spices, and manufactures thereof	2 489 236.62
Vegetables and fruits	1,448,863.67
Oil seeds and oleaginous fruits	1,141,852.75
Crude animal and vegetable materials, n.e.s.	773,876.8
Gold, non-monetary (excluding gold ores and concentrates)	757,898.09
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$9,130,909.8/72.4%/*10.88%*/3.03%
Myanmar	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Gas, natural and manufactured	11,359,928.53
Articles of apparel & clothing accessories	4,988,214.59
Vegetables and fruits	4,414,071.23
Cereals and cereal preparations	3,014,489.78
Sugar, sugar preparations and honey	2,175,260.42
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$37,708,627.94¶/70.91%/*39.16%*/13.53%
Sudan	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Gold, non-monetary (excluding gold ores and concentrates)	3,810,571.32
Petroleum, petroleum products and related materials	1,952,123.20
Live animals other than animals of division 03	1,553,416.88
Oil seeds and oleaginous fruits	1,427,425.29
Crude animal and vegetable materials, n.e.s.	238,095.02
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$10,556,201.86/85.08%/*17.82%*/2.97%
Tanzania	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Gold, non-monetary (excluding gold ores and concentrates)	4,087,335.06
Vegetables and fruits	1,792,105.19

Tobacco and tobacco manufactures	1,006,111.12
Non-metallic mineral manufactures, n.e.s.	892,078.71
Metalliferous ores and metal scrap	839,188.88
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$13,809,707.88/47.43%/*4.02%*/4.74%
Zambia	
Product Groups	Total Exports to the World Market, 2015–17, $ Thousand
Non-ferrous metals	14,881,235.87
Non-metallic mineral manufactures, n.e.s.	718,259.94
Cereals and cereal preparations	695,421.63
Tobacco and tobacco manufactures	583,948.94
Sugar, sugar preparations and honey	482,044.24
Total exports/share of the five WPPGs in total exports/*share of the PRC in the WPPGs'* exports/five WPPGs' export intensity (% of GDP)	$21,754 509.4/79.8%/*26.38%*/24.98%

Terrorism Financing: New Challenges for International Security[1]

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Abstract

Despite efforts by the international community to curb international terrorism, it remains one of the main threats to inter- national security. A main reason for this is that international terrorism has significant financial inflows and their routes transform faster than the international countermeasures designed to stop them.

The aim of this article is to identify existing and potential financial channels. The authors analyze antiterrorist legislation to define the theoretical and legal framework for this research and draw on empirical content from the reports of international organizations, the Group of 20 (G20), the International Centre for the Study of Radicalisation, and others.

This article shows that the main sources of terrorism financing include taxes paid by foreign enterprises functioning in the occupied lands, taxes paid by local populations, profits from resource and goods trade, captured treasures trade, pay- ments from non-governmental organizations, and financial fraud.

The authors discuss the role of cryptocurrencies in international terrorism financing and note that while foreign experts deny the possibility and feasibility of their usage, Russians take an opposite view. The authors conclude that the Russian arguments should be heard and carefully considered by the international community. The Russian Federation has significant experience fighting terrorism. For this reason, the authors recommend that the G20 and other international organizations pay more attention to this issue and work out international standards to counter the use of cryptocurrencies by terrorists.

Key words: terrorism financing; international counter methods to terrorism financing; national security; international security; cryptocurrencies

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Introduction

International terrorism has become a major threat to the world community. One of the most effective ways to strive against evil is to block the financing channels of terrorist organizations.

[1] The editorial board received the article in September 2019.

The Group of 20 (G20) has sufficient competencies and influence to play a key role in blocking the financing of terrorism.

Since the 1960s, the world community has been actively engaged in limiting terrorist activities, including blocking possible financial flows. Over the past years, significant progress has been made in the field of traditional threats and challenges to international and national security associated with terrorist activities. However, new technologies and the rapid development of the global financial market have created opportunities for terrorism financing. The world community is facing fundamentally new sources and mechanisms for transferring money outside the control of national and international structures. Above all, this includes the use of cryptocurrencies.

The aim of this article is to examine the international legal framework for combating terrorism financing, to consider new trends in the financing of terrorism using the example of the activity of the Islamic State (ISIS)[2], and to determine the specifics of new channels for terrorism financing with a focus on cryptocurrencies. It draws on the authors' examination of both traditional and new channels for terrorism financing and their analysis of data on the economic activity of the ISIS group banned in Russia, as well as material from the Financial Action Task Force (FATF) and other international organizations involved in countering the financing of terrorism.

This research identifies a significant discrepancy between the positions of western and Russian experts, not only regarding methods of combating terrorist threats, but also in their assessments of potential sources of terrorism financing. The authors present arguments in favour of the Russian position and outline recommendations that may be useful in implementing practical measures within the framework of the G20.

Legal Framework for International Countermeasures to Terrorism Financing

International terrorism and its financing are quite new threats to international and national security and they determine the agenda of many international organizations. The problem of terrorism at the interstate level was raised for the first time in the mid-twentieth century. The 1963 Convention on Offences and Certain Other Acts Committed on Board Aircraft was the first international convention against terrorism [UN, 1963]. A series of documents followed regarding security in civil aviation and hostage-taking.

Over time, the range of facilities where terrorist attacks were or could be committed has expanded, and international law has been supplemented by conventions on countering terrorism in maritime transport and on fixed platforms located on continental shelves. The arsenal of terrorist methods has also expanded [Ibid., 1988a; 1988b]. The Convention on the Marking of Plastic Explosives for the purpose of Detection was issued in 1991 should this be added to the references?, while the International Convention for the Suppression of Terrorist Bombings was issued in 1997 and the International Convention for the Suppression of Acts of Nuclear Terrorism was added in 2005 [Ibid., 1997; 2005].

Despite the adoption of a large number of conventions, statistics on the number of terrorist acts, their victims and economic damage continued to grow steadily. This led the international community to look at the problem from a different perspective. Terrorist activity is associated with high financial costs for the preparation and implementation of an attack – therefore, it is necessary to deprive terrorist organizations of financial resources.

[2] The organization is banned in the Russian Federation.

Work on countering terrorism financing was launched in the 1990s. In 1996, recommendations were made at the Group of 8 (G8) ministerial meeting requiring countries to: conduct continuous monitoring and control of money remittance and disclosure of banking secrecy procedures; intensify information exchange regarding the international movement of capital sent or received by organizations or groups suspected of carrying out or supporting terrorist organizations; and take measures to prevent funds transfers in respect of which there are suspicions that they are intended for terrorist organizations.

In 1998, at a meeting of the UN General Assembly, an international convention for the suppression of the financing of terrorism was adopted, which laid the foundation for legal regulation of this issue at the international level [UN, 1999]. The convention, signed by 132 states, declared terrorism financing to be a criminal offense and determined the obligations of states to prevent it. In particular, the states that signed the convention committed themselves to: fix the criminal nature of terrorism financing in their criminal legislation; take part in large-scale cooperation with other participating states; and put in force certain requirements regarding the role of financial institutions in detecting and reporting facts that indicate the financing of terrorist attacks [Ibid., 2001].

On 28 September 2001, the UN Security Council, after an avalanche of attacks against civilian targets, a series of political murders, and ultimately the events of 11 September, adopted Resolution 1373 "Threats to International Peace and Security Caused by Terrorist Acts" [Ibid.]. This resolution contained a universal and mandatory programme for a comprehensive and diverse fight against terrorism at various levels: administrative, police, civil, customs, financial and legal. For the first time, terrorism was recognized as a threat to international peace and security.

The importance of preventing and suppressing the financing of terrorist acts and terrorists in any way is highlighted in the resolution. Moreover, financing is divided into financing of terrorist attacks and financing of terrorists. As for the financing of terrorist acts, the resolution obliges member states to criminalize the deliberate provision or collection of funds, direct or indirect, that have been or will be used to commit an act of terrorism. Obligations to prevent terrorism financing include prohibiting citizens or any individuals and organizations located in the territory of the state from providing any funds, financial assets or economic resources, services, directly or indirectly, for use in the interests of persons who commit or are trying to commit terrorist acts, and facilitate or participate in their commission [Ibid.].

States were also obligated to take measures to prevent terrorist acts, to refrain from supporting terrorists and providing asylum, to assist other member states in the investigation of terrorist attacks, to intensify interstate cooperation, and to to block funds and other financial assets of persons who commit or attempt to commit terrorist attacks, or participate in the commission of terrorist acts, or assist them.

Immediately after the terrorist attacks in 2001, the FATF joined the work on countering terrorism financing, which currently includes 33 countries. In 2004, the organization developed recommendations for countries on these issues at the national level [EAG, 2004]. The recommendations worked out by the FATF are regularly updated and focus on preventing private sponsorship of terrorist groups. The document describes measures related to wire transfer and the use of alternative money transfer systems by sponsors, with special attention paid to cash transfer procedures and to recommendations on strengthening control over the work of non-profit organizations, which are often used as channels for transferring funds to terrorists' accounts [Melkumyan, 2014].

After the release of the Security Council resolution and FATF initiatives, the ministers of finance and the heads of the central banks of the G20 countries reached an agreement on freezing the accounts of terrorist organizations. In turn, the FATF encouraged countries to conduct a self-assessment of their implementation of international recommendations and to submit a report on the results. In this regard, the FATF has developed a self-assessment questionnaire [FATF, 2002]. According to the FAFT, 120 countries conducted a self-assessment and, based on the results, the International Monetary Fund (IMF), together with the FATF, the World Bank (WB) and several other international organizations, developed and approved the "Methodology for Assessing Compliance With Anti-Money Laundering and Combating the Financing of Terrorism Standard."

In 2017 the G20 countries adopted a roadmap for countermeasures to terrorism financing, which includes commitments to expand cooperation, to combat the financing of terrorism, and to counteract radicalization and the use of the Internet for terrorist purposes [IMF, 2002].

The issue of terrorism financing has remained at the core of the international agenda. In March 2018, G20 finance ministers and central bank governors issued a communiqué once again urging countries to use the FATF standards, which were expanded by recommendations to prevent the use of cryptocurrencies for terrorist financing [FATF, 2018].

Despite the large number of resolutions, agreements, acts and roadmaps, there have been no real reductions in the number of terrorist attacks and victims, or economic damage. The situation with countering terrorism financing is even more complicated. This is largely attributed to the difficulty of tracking financial flows and isolating those which finance terrorist activities. The basic principles of external financing may be considered using the example of ISIS.

Terrorism Financing: The Example of ISIS

ISIS is new and is currently one of the most "effective" models of terrorist organizations. Almost from the very beginning of its existence ISIS claimed the status of an Ummah, that is, a state whose members are connected to each other according to the principle of a single religion, and which is multilevel and capable of organizing a system on the network principle [Vavilov et al., 2016]. Therefore, despite the fact that there are many maps of the distribution of ISIS, it is virtually impossible to clearly determine territorial boundaries. It can be said that ISIS consists of many territorial components, reminiscent of modern Palestine.

Over the past four years, the territory controlled by ISIS has declined significantly. According to experts, while in 2014 the terrorist group controlled 100,000–150,000 square kilometres, by 2018 it controlled only 30,000. In this case, experts take into account the territories under the control of ISIS in the territory of Syria and Iraq; however, in addition to this basic geographical component, there is another, represented by a network of ISIS-affiliated groups spread around the world [Lui, 2017]. ISIS followers who are not members of any terrorist group but who carry out terrorist attacks independently or in small groups and who enjoy ISIS support, including financial, pose the same or an even greater threat. Thus, ISIS is a new entity consisting of more than 30 terrorist groups located in 14 countries from Nigeria to Indonesia which also exploits scattered, lone terrorists. Where does ISIS get funds for such large-scale activity?

One of the largest analyses in the field of ISIS financing is a report entitled "Caliphate in Decline: Assessing the Financial Situation of ISIS," produced by researchers at the International Centre for the Study of Radicalisation and Political Violence [Heißner et al., 2017]. According to these experts, the organization was financed mainly by the receipt of funds from foreign countries until 2011. However, after 2011 the organization began to develop a self-sufficiency model. And today, it can be said that ISIS has an established tax and financial system.

The main income sources of ISIS come from Islamic and non-Islamic taxes, crude oil trade, confiscations, fines, contraband antiquities trade, ransom for kidnapping, and foreign aid (see Table 1).

Table 1. ISIS Budget 2014–16 ($ Millions)

ISIS Budget Items	2014	2015	2016
Taxes	300–400	400–800	200–400
Oil trade	150–450	435–550	200–250
Kidnapping	20–40	No data available	10–30
Antiques	No data available	No data available	No data available
Robberies/Confiscations/Fines	500–1000	200–350	110–190
Foreign Aid	No data available		
Total	970–1890	1035–1700	520–870

Source: [Heißner et al., 2017].

As can be seen in Table 1, given that there is no data available on foreign aid, taxes are the main revenue items in the budget. Taxes paid to ISIS are divided into Islamic and non-Islamic. In Islamic tradition, there is the concept of "poor-due" (zakah). Zakah acts as a kind of property tax, amounting to 2.5%, paid by any able-bodied adult Muslim whose wealth is equal to or exceeds 84.8 grams of gold. In the territory controlled by ISIS, according to experts, this tax reaches up to 10% in some areas. Given the fact that at certain points in its existence ISIS controlled territories with a population of 10 million people, the total collection of this tax is quite substantial in general.

Another type of Islamic tax collected by ISIS is a tax on agricultural products or a trade tax in the amount of one tenth of the good's price, and a so-called tax on adherents of different faiths. The latter serves essentially as a ransom ensuring the security of non-Muslim people. In addition, non-Muslims are required to pay a tax for the use of territory conquered by Muslims.

ISIS also collects non-Islamic taxes. The most significant is the payroll tax, which varies from 10% to 50% depending on the position held. Moreover, ISIS levies customs duties on vehicles entering territory controlled by the organization.

ISIS residents are required to pay up to $2 per month for water, electricity and telephone communications for each item [CAT, 2017]. Given the number of people living in ISIS-controlled territory, the total amount of funds raised can be several million dollars.

The territories occupied by ISIS are rich in deposits of phosphates, sulphur and inputs required to make cement. Apart from mining capacities, ISIS bogarted mineral water and soft drinks factories, furniture factories, mobile operators, and cement and chemical plants. The ISIL ministry of resources manages all profits at its discretion. ISIS also controls a significant amount of the most fertile land in Iraq and Syria.

The most important question is which companies operate in ISIS territory. It should be noted that for security reasons, most foreign enterprises have scaled down their operations, although there are some that remain. The most striking example is the French cement business, Lafarge [Le Monde, 2016]. The company's Syrian plant, Lafarage Cement Syria, was located in northern Syria. It is one of the few companies that stayed and continued to work in a region controlled by Syrian rebels. As a result, it had to pay various fees for the workers' safe access to the plant. Payments were made on a monthly basis and increased constantly. In July 2012 the first payment was $57,000 but by November 2013 it had reached $160,000 [Le Monde, 2018]. Moreover, the company paid taxes regularly. For example, a 10% tax on the cost of manufactured products, and special "transport" taxes, which varied depending on the tonnage of the cargo – according to estimates, the total amount could reach $5.3 million [Le Monde, 2018]. In addition to direct payments, the company contributed to the increase in ISIS' financial capabilities by purchasing raw materials. According to experts, Lafarage could spend about $2.5 million on raw materials [Ibid.]. The plant ceased operations in Syria on 19 September 2014. In the summer of 2018, a trial took place during which it was established that over the years of its operation the plant had transferred a total of €13 million to ISIS.

Another budget feeder for the terrorist organization is income from the sale of oil. According to experts, its annual income from this source is about $450 million [Vesti, 2017]. It is extremely difficult to identify buyers of ISIS oil because of the creation of a well-organized and extensive network of partners and customers. However, the sale of ISIS' oil to the world community was significantly reduced because oil transportation is clearly visible and is a convenient target for airstrikes.

The situation is more complicated with the blocking of sources of terrorism financing such as donations from other terrorist groups and organizations, foreign funds, non-profit organizations and individuals – which are not reflected in the ISIS budget in any way. The amount of aid from the latter accounts for the largest percentage of the total amount of this type of infusion. Direct funds, according to experts, come from individuals, business people and religious leaders, mainly from the Gulf countries [CAT, 2015]. Moreover, both important business people and ordinary citizens can act as private donors and the amounts of their transfers range from $50 to hundreds of thousands or more. According to experts, a large role is played by the collection of donations in cultural centres and prayer halls made by ISIS sympathizers in western countries, as well as fundraising through social networks. Saudi Arabia and Qatar are also accused of financing ISIS [Laurent, 2015].

The world community is seriously concerned about the tendency to use non-profit organizations to channel funds to finance terrorist activities. It is extremely difficult to prove the involvement of such organizations since the funds allocated for financing terrorists are difficult to separate from other funds managed by the same non-profit organization. In fact, the only difference between a legal and illegal donation to or on behalf of a non-profit organization is the intention of the donor. The water is muddied by the fact that there have been a number of cases where non-profit organizations had no idea that they were being used for illegal purposes [IMF, 2003].

Another poorly controlled source of terrorist financing, according to the FATF, is fraud, for example, tax refunds, fictitious export schemes, various cashing schemes, as well as the work of bank branches and small- and medium-sized money transfer companies – some of which are involved in regional smuggling networks that existed and successfully functioned long before the emergence of ISIS, and whose activity is almost impossible to trace.

Ransom for kidnapping is one of the least significant among the presented ISIS funding sources. Nevertheless, ISIS was able to earn between $20–40 million through such activities in 2014, and between $10–30 million in 2016.

The sale of antiquities is another important ISIS budget item. ISIL controlled 2,500 archaeological sites in Iraq and 4,500 in Syria in 2015 [Osborne, 2015]. In addition, people were ready to pay money for the preservation of other relics of the city after the bombings of the Temple of Baalshamin or the Temple of Bel in captured Palmyra were published [Alekhina, 2015]. In general, research shows that ISIS makes money on historical artefacts in three ways: sale of excavation rights; sale of found valuables in the international market; and sale of rights to export art objects from controlled territories [Rose-Greenland, 2016].

In the first years of the caliphate, this particular item was the most profitable and brought ISIS between $500 million to $1 billion. Gradually, the share of this income item has declined. The estimated amounts decreased to $200 million in 2015, and to $110–$190 million in 2016.

However, the profit made by the organization under this item remains, even according to estimates, very substantial. Evidently, in order to replenish its budget, ISIS will continue to capture new territories and objects of historic importance.

Another source of income is fines for violation of Shariah rules, including smoking or wearing clothes that do not conform with the requirements of the religious norms. The amount of the fine varies depending on the severity of the violation, but on average it starts at $100 and ends at $500 [Bekkin, 2017].

While these sources of financing are known to the world community and have been studied, the development of information and financial technologies has made possible another source of financing in the form of cryptocurrencies.

New Sources of Terrorism Financing

One of the most discussed issues today is the possibility of using cryptocurrencies for purposes prohibited by law. There is no unequivocal opinion among experts. However, an interesting pattern is clearly visible: Russian experts talk about serious danger arising from technological features more often. The director of the Russian Federal Security Service, Alexander Bortnikov, has repeatedly claimed that there is "a large-scale use of encrypted Internet communications, electronic banking and cryptocurrencies, remote terrorist management and financing schemes" [ForkLog, 2018].

On the other hand, most western experts tend to underestimate these risks. According to a statement by Yaya Fanusie, senior member of the Democracy Defense Fund, Forbes author Ted Knutson, and U.S. defence experts, cryptocurrencies are not suitable for financing terrorism [Fanusie, 2018].

The potential risks, as well as the degree of their probability should be assessed. It is reasonable to start with an optimistic position. Terrorists still prefer conventional money and there are reasons for this. First, terrorists do not "work" predominantly in countries with a highly developed technological sector, which complicates operations with cryptocurrencies. Second, the application of laws on customer verification and the fight against money laundering makes it even more difficult for terrorists to access cryptocurrencies. Moreover, government departments have begun tracking popular blockchain transactions. It turns out that the use of physical money is more anonymous and more difficult to track. In addition, some terrorist networks have their own payment systems. All of this makes the extensive use of cryptocurrency to finance terrorism inappropriate. As a consequence, most terrorists still use the traditional hawala payment system, as well as other traditional financial channels [Goldman et al., 2017].

Another argument made by western colleagues is that terrorists do not yet have the necessary skills to use cryptocurrency more frequently and more effectively. It is believed that the use of cryptocurrency requires special skills in the field of information security. Moreover, the cryptocurrency exchange rate is volatile and this makes it less attractive for both ordinary users and terrorists.

This all seems comforting, but there is a downside to these arguments. The most important advantage, and at the same time, the main disadvantage of any cryptocurrency is the fact that it is almost impossible to track the movement of funds using cryptocurrencies. Most cryptocurrencies are anonymous and do not require identification, as when using a bank account. Therefore, it is an ideal means of payment for the purchase of arms and other illegal goods.

Global availability is another attractive point. The system solves the problem of transferring money from anywhere at any time for any amount. Users can perform transactions through other countries and can erase traces through the use of different exchange markets and bureaus from different countries. Further, such operations are much faster than traditional transactions, so the likelihood that it will be intercepted and blocked is much lower.

It seems that the widespread opinion about the low awareness and professionalism of supporters of banned organizations does not correspond to reality. But even assuming this option, one must understand that most cryptocurrencies are quite simple to use due to the easy interface and understandable actions.

But the most attractive feature encouraging the use of cryptocurrencies for illegal purposes is the lack of a clear legal framework for cryptocurrencies around the world. In some countries they are completely free and in others they are actively used to collect donations, which makes it possible to attract large numbers of people.

The authorized bodies, both at the national and international levels, face the serious challenge of developing measures to control illegal traffic in the digital economy. One of the most significant challenges for the international financial system is the development of distributed registry technologies, which are the "heart" of all cryptocurrencies. The problem of cryptocurrencies from the perspective of state control is their anonymity and the inability to determine the direction of cash flow which complicates the tracking of terrorism financing. In Russia, for example, the development and mass use of cryptocurrencies will jeopardize the entire concept of Federal Law No 115 "On Counteracting the Legalization (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism," which is simply not adapted to the realities of cryptocurrency asset circulation.

Another challenge to national and international security is the development of shadow marketplaces that maximally anonymize actions and transactions in the market. Use of the Tor anonymizing browser is not a difficult process even for an ordinary user, and on darknet sites users can obtain a number of illegal services: drugs, corporate and state secrets, weapons (including explosives and chemical weapons), illegal pornographic materials, carding services (stealing money from credit and debit bank cards or terminals), installation of virus software and hacking websites, murder for hire, and chemical substances. According to experts, the turnover on Hydra, one of the most popular darknet platforms, is on average $500,000 per day [Pichkov, Ulanov, 2017]. Moreover, payment exclusively made with cryptocurrency allows people to hide cash flows, as well as the beneficiaries and agents of transactions.

What can be done? No matter how sad it may seem, the only way out is to strengthen state and international supervisory control in the field of activities on the Internet and the handling of cryptocurrency assets. Increased implementation of identification and authentication mechanisms for performing any activity on the Internet is seen as rational, and will allow users to be identified from their digital footprint. It will also then be possible, using large data analysis mechanisms, to form a digital user profile which can be used for predictive analytics to deliberately suppress potentially criminal acts. It is assumed that such mechanisms will be developed simultaneously with the maturation of the above-mentioned problems. It is important for states to start developing and investing in these mechanisms in order to be prepared for the evolution of the shadow digital economy market.

Conclusions and Recommendations

Having analyzed the system of terrorism financing using the example of one of the newest and most influential terrorist organizations, and having identified new potential sources of financing for international terrorism, it is clear that this topic should remain on the G20's agenda.

This article identified several mechanisms for terrorism financing: taxes from foreign enterprises that have not ceased their activity in occupied territories; taxes on residents of the occupied territory; income from the sale of natural resources and manufactured products in the occupied territory; revenues from the sale of captured historic assets; and income received through non-governmental organizations, as well as through financial fraud.

The discussion that has emerged in the international expert community regarding the possibility of using cryptocurrencies in terrorism financing was also examined. It should be highlighted that due to the novelty and complexity of the issue, a comprehensive assessment of the possibility of using cryptocurrencies in the financing of terrorism, and in particular of specific schemes for this use, could not be provided as this would require a review of the situation for each existing cryptocurrency which, so far, exist outside the international legal field. Therefore, it recommended that the G20 together with the FATF should continue monitoring this topic and should develop and implement international standards in the field of countering the use of cryptocurrency in terrorism financing. This research, ultimately, can contribute to the strengthening of international cooperation in the fight against international terrorism and increase the status of the G20 in the eyes of the world community.

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The Humanitarian and Social Agenda of the UN Security Council[1]

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Abstract

By the end of XX – the beginning of XXI century the importance of humanitarian and social issues in the world has sharply increased. Humanitarian and social means began to be intensively included in military and economic actions and play a significant independent role. As a result, there was an increase in the importance of "soft security" aspects, and an expan- sion of this field.

This has affected the UN Security Council, which began to pay more attention to humanitarian and social issues, which was demonstrated with the statistical method.

The range of humanitarian issues discussed by the Security Council and the list of actors sponsoring resolutions on humanitarian issues has expanded. In the late 1990s – early 2000s the Council begins to consider large amount of humanitarian issues: security issues of individuals in armed conflicts (civilians, children, women, UN and humanitarian personnel); civilian aspects of conflict management and peacebuilding; and separate issues of "soft security" (humanitarian assistance and such "soft threats" to security as HIV/AIDS epidemics, food crises and climate change). In addition, the Council also addresses human rights violations.

The promotion of humanitarian issues in the Council on separate occasions was facilitated by high-ranking officials who put a premium on humanitarian issues; various UN bodies and organizations, mainly with humanitarian mandates; some non-permanent members of the Security Council who wanted to leave their mark in the Council's history; various NGOs. In turn, some countries opposed the adoption of measures that they consider to be within the internal competence of their states.

At the same time, the expansion of humanitarian and social problems in the world poses a dilemma for the Security Council: whether to include the entire range of these issues on the agenda, or it is beyond the scope of the Council's man- date. There is no definite answer here. On the one hand, the world is moving along the path of strengthening humanitarian problems and its ever-greater involvement in security issues. On the other hand, an expanded interpretation of security can impede the work of the Council.

Key words: world politics; humanitarian agenda; social agenda; soft security; UN; UN Security Council

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Introduction

Studies on social and humanitarian issues are attracting increasing attention from both politicians and scientists. As a rule, researchers and practitioners divide social and humanitarian issues into two different areas. Social issues to a greater extent are the focus of economists and sociologists, while humanitarian issues capture the attention of specialists in the field of international relations and world politics. In international studies, it is common to single out specifically humanitarian issues. At the same time, when analyzing humanitarian issues, it is important to indicate the social aspects which in one way or another accompany the humanitarian component of international relations and world politics. Thus, during the provision of humanitarian assistance in emergency situations or conflicts, it is common to identify the least-protected social groups that need humanitarian assistance in the first place. In general, grappling with social problems such as migration, drug addiction, and others involves finding solutions to humanitarian issues. In addition, social ties are determined by many variables, including humanitarian issues related to culture and traditions. Therefore, the success of various humanitarian projects depends on the social relations in a society. Since the humanitarian sphere is closely connected with the social, it makes sense to combine them in this study.

One of the first questions that arises when analyzing social and humanitarian issues is the role of such issues in world politics and the extent to which this is reflected in United Nations (UN) Security Council resolutions. The hypothesis of this study is that as the importance of social and humanitarian issues in world politics increases, this should be reflected in the discussion of relevant issues and the adoption of resolutions on them by the UN Security Council.

It should be noted that many domestic and foreign studies are devoted to various activities of the UN Security Council. However, the social and humanitarian aspects of the work of the Security Council (as compared to the work of the UN Development Programme) have been understudied and often are addressed only in the context of other issues. Therefore, the most important task is to analyze the humanitarian and social issues in the work of the UN Security Council

The Growing Role of Social and Humanitarian Problems in World Politics

Social and humanitarian issues were on the periphery of politics for a long time, as illustrated by the fact that, in international agreements, the mention of social and humanitarian issues was usually secondary to military, political and economic ones. To a large extent, this structure is preserved today, with the exception of cases where the agreements relate exclusively to the social or humanitarian spheres.

However, social and humanitarian issues are increasingly being included as military and political means of influence. This gives rise to the phenomena of hybrid wars and information wars, which have received wide attention and analysis in the scientific literature [Tsygankov, 2015, pp. 7–32]. Information warfare has become a constant satellite of conflict. The development of the Internet and social networks has allowed information to have an effective impact on the behaviour of parties to a conflict. The rapid dissemination of information on social networks has engendered the large-scale phenomenon of fake news. In hybrid wars, along with military and economic means, social means of influence are actively used, for example, by creating groups of local residents promoting the interests of a foreign state. Conflicts are always accompanied by social and humanitarian problems. The impact of these problems, including the provision of assistance both at the time of conflict and during the post-conflict settlement, has a powerful effect on the conflict itself and on the international image of the donor [Stepanova, 2007]. Often it is this image impact, which implies the growth of international influence, that is most significant for the one who provides assistance. In the future, this image can be turned into a kind of economic and political means of imposing economic, ideological and political norms and values on the recipient state, as representatives of neo-Marxism often suggest, starting from A. Gramsci's idea of cultural hegemony [Gramsci, 1957a; 1957b; 1959].

Within the framework of security issues, terrorism and the fight against terrorism occupy a special place in the modern world. International terrorist organizations such as Al-Qaida and the Islamic State (ISIS) actively use social and humanitarian resources to mobilize their supporters, promising justice, social protection and assistance to the poor. Obviously, countering terrorism is impossible without addressing social and humanitarian issues.

In addition to states, international non-governmental organizations (NGOs) are becoming increasingly involved in conflicts. In addition to organizations like the Red Cross which have traditionally provided humanitarian assistance to the victims of conflict, new organizations have appeared, although their activities in the humanitarian and social fields are not always unambiguous. For example, the White Helmets, an NGO operating in Syria and controlled by groups opposing the Syrian government, positions itself as an organization providing medical care to the population. At the same time, according to media reports, it was involved in the creation of fake videos accusing the Syrian government of using poisonous substances [Komsomolskaya Pravda, 2018].

In general, it must be borne in mind that social and humanitarian issues in conflicts can be used in two ways – both within the framework of assistance and cooperation, and to counteract the enemy in conflict relations. The boundaries between these spheres are extremely mobile, and at the same time one entity can provide both assistance to the population in conflict zones and informational opposition to the enemy, including using fake news. This applies not only to the military and political spheres, but also to other areas.

Finally, in the field of security ideas about "soft security" – which implies protection from non-military threats including informational, environmental and social (that is, directly related to human life) [Buzan, 1983; Buzan, Waever, De Wilde, 1998; Galtung, 1969] – have been developing since the end of the 20th century. The concept of human security discussed by the UN Development Programme (UNDP) [1994] precisely implies the protection of the individual and their interests and values.

As for the international economic sphere, in the 21st century, the social and humanitarian activities of businesses have reached beyond the company (social support for their employees) and country (sponsoring important social projects) and are actively operating on the international stage. One of the most striking examples is the Global Compact, created by an initiative of the UN, which aims at increasing the social responsibility of business on a global scale [UN, 2000b]. Businesses that join the Global Compact strengthen their image position on the international stage, which affects, among other things, their profit. For the same reasons, large corporations enter into agreements with international sports organizations and sponsor foreign sports clubs. For example, Gazprom, Ford, Sony, UniCredit, Heineken and MasterCard cooperate with the Union of European Football Associations (UEFA), which gives them the opportunity to place their ads at all matches of the Champions League. Gazprom also cooperates with foreign football clubs, in particular, Schalke and Chelsea [Bombardir.ru, 2018], which strengthens the company's image on the European continent.

In general, business is increasingly paying attention to global issues, including environmental ones, by financing related projects. The activities of BP, which develops and implements approaches aimed at sustainable development [BP, 2005], are a striking example. In addition, the use of various forms of lobbying at the international level can be seen as attracting a social resource for business, since lobbying affects certain social groups. This activity is most evident in the European Union (EU) [Rudenkova, 2015].

World politics clearly demonstrates a turn toward the social and humanitarian spheres. There are many examples. First, there has been an expansion of spheres that were not previously considered to be matters of international politics but which are related to people and the development of human capital. Thus, higher education today has become one of the important areas of the application of soft power, but it is not limited to this – along with new technologies it is acquiring a politically significant function. It is no coincidence that the Europeans, having discovered a lag in technological development compared to the U.S. and a number of other countries, have initiated the Bologna Process [Lebedeva, 2006].

The issue of global health is a new and rapidly developing area in international research. It is related to many other issues in the framework of international relations – environment, climate change, the spread of diseases, and feminist studies [Davies et al., 2014]. Tourism and various spheres of culture are also becoming new areas for international research directly related to the individual.

Another indicator of the growing interest in social and humanitarian issues is the ongoing attention to the concept of "soft power" by J. Nye [1990]. Critiques of the concept and research on various aspects of "soft power" both demonstrate the importance of social and humanitarian impact.

Finally, one should pay attention to S. Strange's concept of "structural power" – the ability to create norms and rules which govern the actions of other actors in world politics [1989]. Structural power also constitutes a social and humanitarian resource.

Thus, there is a sharp increase in the importance of social and humanitarian issues and, accordingly, the demand for relevant resources in world politics [Lebedeva, 2014]. Moreover, these issues and resources go beyond the traditional understanding of humanitarian problems in international relations and include many aspects that are otherwise connected with individuals. The reasons for this lie in the fact that humanity has reached a point of development at which attention is focused on the personality and its development. This is facilitated by technologies that ensure communication, information, and the development of creativity, as well as the transparency of national borders and the entry of the masses into the international arena.

At the same time, certainly, military and economic issues have not disappeared nor has their influence diminished, but they increasingly involve social and humanitarian aspects in their orbits. In addition, social and humanitarian actions in the international arena may be perceived as a threat by certain actors. For example, even sponsorship of a foreign sports club could be regarded as interference in internal affairs. All this leads to an increase in the importance of soft security issues. Moreover, the soft security field has significantly expanded.

Humanitarian and Social Issues Reflected in UN Security Council Resolutions

The question of how the UN Security Council has responded to the growing role of social and humanitarian issues and possible threats to soft security – that it, which aspects are the focus of attention of the Security Council, and their dynamics – guides the empirical research in this article.

Statistical analysis was used to answer this question. The resolutions adopted by the UN Security Council from the beginning of its work in 1946 to 2018 (inclusive) [UN, n. d., a] were analyzed to trace the dynamics of the importance of humanitarian and social issues in the activities of the Security Council. It was assumed that, given the increasing importance of humanitarian and social issues in general, such issues must be at the centre of attention of the Security Council with an upward trend. Resolutions of a social and humanitarian nature are gathered in a single category, "humanitarian resolutions" – the term adopted by the UN. Resolutions relating exclusively to procedural or technical issues, for example the admission of new members to the UN or recommendations regarding the appointment of a new UN secretary-general, were deducted from the total number of resolutions adopted by the Council. Thus, the charts created as a result of the data analysis more clearly demonstrate the correlation of resolutions adopted by the Security Council with a social and humanitarian component to those that deal exclusively with issues of "traditional" security.

Resolutions involving humanitarian and social aspects of peace and security have been divided into three groups. The first group of resolutions – "pure" ones – includes documents devoted exclusively to solutions to humanitarian and social problems arising as a result of a conflict or violation of humanitarian aid requirements, combating human rights violations, humanitarian exclusions from the regime of collective international sanctions, and so on.

The second group – the group of "partial" resolutions – includes documents in which some provisions involve the issues listed above. In this case, only the provisions of the operational parts of the resolutions were taken into account. Documents whose humanitarian and social provisions were of a formal nature were also excluded from the category of "partial" resolutions. In other words, those resolutions that included a humanitarian aspect on a specific issue but did not intend to change the situation or take a specific measure were not considered to be humanitarian or social in nature. Examples of such formal inclusions include clauses in which the Security Council solely "welcomes" a governmental decision of a humanitarian nature or "calls for refraining from violations of international humanitarian law and human rights law" that have not yet occurred.

The third group of humanitarian resolutions includes documents of a normative nature. Such documents were adopted by the Council based not on a consideration of the crisis in any particular country, but on a specific humanitarian issue that concerns all UN member states. In UN practice such agenda items are called "thematic issues." Among the humanitarian and social thematic issues of the Security Council are "Children and Armed Conflict," "HIV/AIDS and International Peacekeeping Operations," "The Role of Civil Society in Post-Conflict Peacebuilding," and others.[2]

Figure 1 demonstrates the general indicators of all Security Council resolutions for the period from 1946 to 2018, and shows the ratio of humanitarian resolutions of all categories to the total number of adopted documents. The number of humanitarian resolutions is growing along with the total number of resolutions. As can be seen, the UN Security Council has begun to pay much more attention to humanitarian issues in recent years.

Figure 2 demonstrates the share of humanitarian resolutions out of all resolutions adopted by the UN Security Council for the years 1946–2018. Since 1991 the share of humanitarian resolutions out of the total number has not dropped below 10%; since 2007 the number has usually been no less than 20% and since 2009 it has been no less than 30%. In 2013, this share reached its maximum at 58.7% of the total number of UN Security Council resolutions that in one way or another addressed humanitarian issues. Thus, not only is the number of humanitarian resolutions growing along with the general increase in the number of Security Council resolutions, but such resolutions are beginning to occupy an increasingly significant place in the Council's practice.

[2] In Fig. 2 and 3, the "PURE" marker indicates "pure" Council resolutions, the "PART" marker indicates "partial," "NORM" indicates normative, and "PS" indicates resolutions on other issues of international peace and security considered by the Security Council that do not have a humanitarian component.

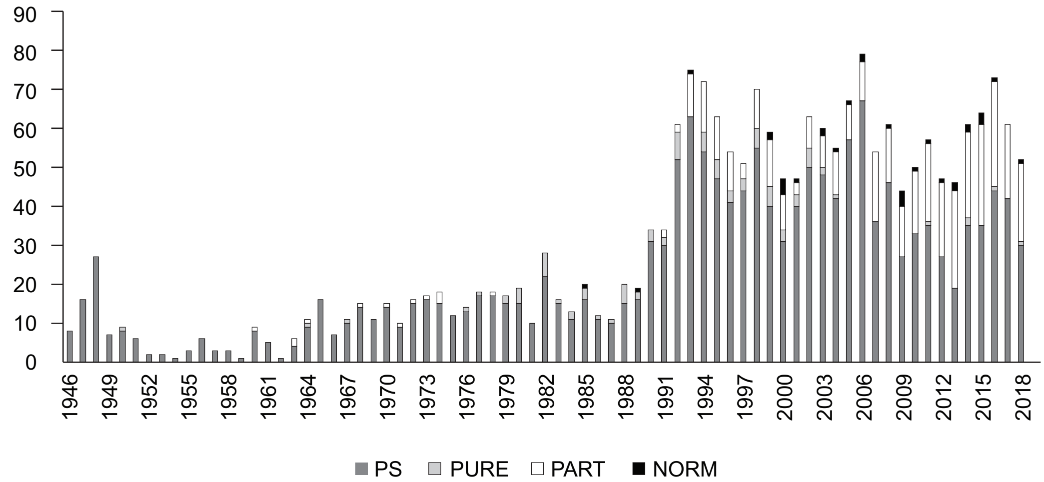

Fig. 1. General Indicators of the Number of All Security Council Resolutions, 1946–2018

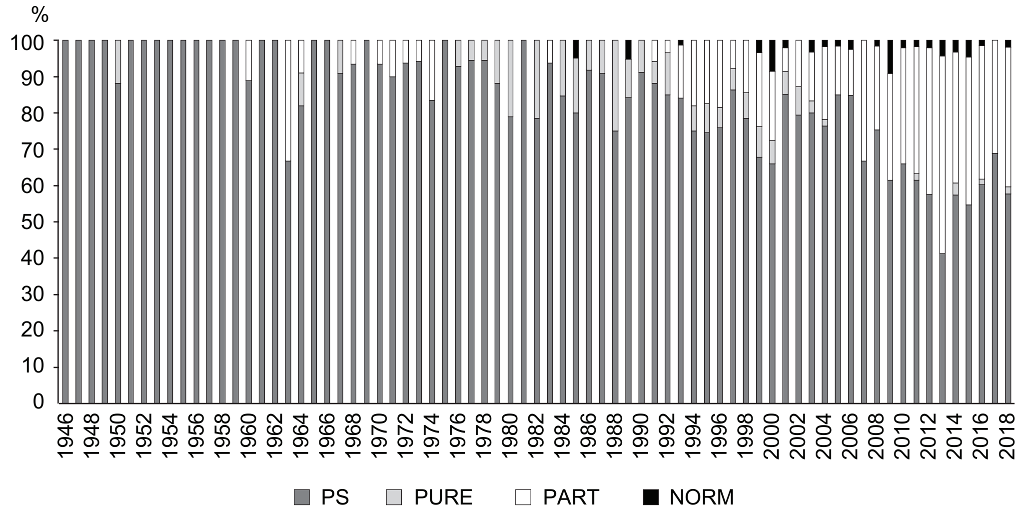

Fig. 2. The Share of Humanitarian Resolutions Out of All Resolutions Adopted by the UN Security Council, 1946–2018

Figure 3 reflects the dynamics of the number of humanitarian resolutions from 1946 to 2018 in all three categories. The total number of humanitarian resolutions shows cyclical growth. Accordingly, there were some cycles during which the attention of the Security Council to humanitarian issues was either increasing or decreasing. The years in which the number of humanitarian resolutions peaked during the cycle are particularly interesting for study.

In 1950, a resolution was adopted to assist the civilian population of Korea. In the 1960s, the Council began to respond to violations of international humanitarian law; in the 1970s, it began to urge all UN member states to provide humanitarian assistance to states in whose territories armed conflicts take place. In the 1980s, resolutions to alleviate the suffering of civilian populations as a result of conflicts were taken by the Security Council. In the same years, the first normative resolutions appeared. In the 1990s, the Council began to pay more attention to the humanitarian situation in states where armed conflicts were taking place,

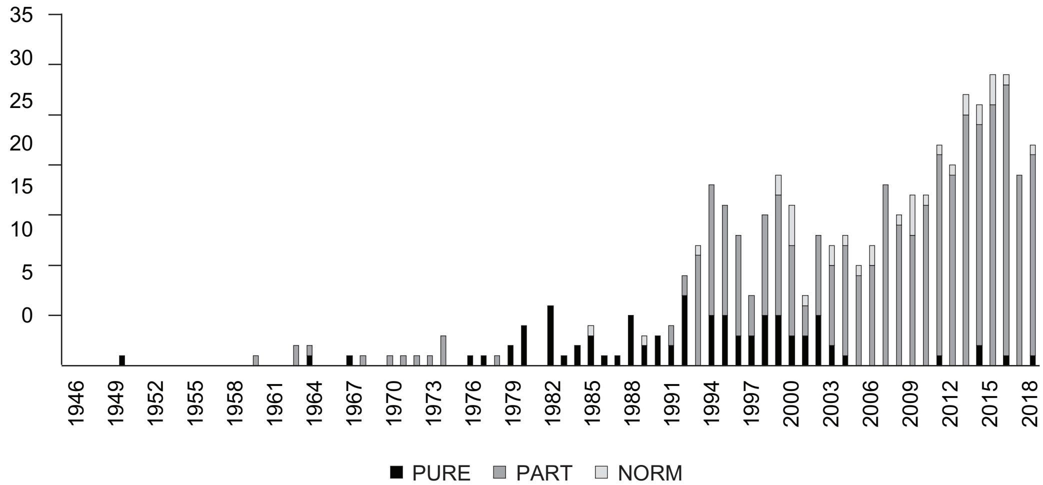

Fig. 3. The Dynamics of the Number of Humanitarian Resolutions of the UN Security Council, 1946–2018

made the first humanitarian exceptions to Security Council measures, raised the issue of the protection of humanitarian personnel, and included the first humanitarian responsibilities in the mandates of its humanitarian assistance and refugee mission. During these years, civilians were divided into categories with special needs – women, children, and refugees. In the 2000s, the Council began to pay attention to such issues as the protection of human rights, the HIV/AIDS epidemic, food security, and the problems of families separated as a result of conflicts. The humanitarian mandates of Security Council missions expanded during this period, and the provisions on the protection of certain categories of civilians were detailed. Extensive attention was given to the gender dimensions of Council missions. In the 2010s, the number of countries in which the situation of the civilian population was of concern to the Security Council increased. The humanitarian provisions of Council resolutions become ever more detailed.

Thus, the "bursts" of humanitarian resolutions up to the 1990s occurred in the years in which international conflicts or emergencies had negative consequences for civilian populations. After the 1990s, the Council focused attention on countries suffering from or recovering from internal conflicts. In addition, the Council began to take measures to protect certain categories of civilians and pay attention to the observance of human rights.

Working documents and transcripts of Security Council meetings show that an increase in interest in humanitarian issues in the Council occurred in 1999–2000, in anticipation of the 2000 Millennium Summit to determine the role of the UN in the new era. In this way, the Security Council tried to adapt to the new, post-bipolar reality. However, neither at the end of the summit, nor in subsequent years, was a document that clearly outlined the terms of reference of the UN Security Council adopted. The wording of Article 39 of the UN Charter [1945] leaves these powers extremely broad – thus, the Council "determines the existence of any threat to peace" and "makes recommendations or decides what measures should be taken" to eliminate such a threat. However, the UN does not observe a "power struggle" between the Security Council and other UN bodies, programmes or specialized agencies. Since the definition of "any threat" includes any soft threats, and the decisions of the Security Council are binding, many states and organizations in the UN system believe that it is the Council that can solve their problems in the most effective way. Representatives of other bodies and agencies in the UN system actively promote their agendas at Council meetings, trying to achieve recognition of their problems as "threats to international peace and security" and to secure adoption of mandatory measures to eliminate them. However, this process can significantly complicate the work of the Security Council by distracting the Council from its traditional activities which address the problems of hard security. The increasing pressure on the Security Council is well reflected in Fig. 1. During the reform of the UN Security Council, special attention should be paid not so much to the membership in the body, but to the definition of the terms of reference of the Council and the principles of its relations with other bodies and agencies in the UN system.

The Specifics of Various Social and Humanitarian Issues in the Security Council

Humanitarian and social issues addressed by the UN Security Council were divided into four groups:

1) Security issues of certain categories of persons in armed conflicts

Protection of civilians in armed conflict. Although certain aspects of the protection of such persons were enshrined in international conventions, the Security Council paid particular attention to this problem. This is an umbrella issue for the Council, from which all other humanitarian agenda items subsequently stood out. The issue is considered on a regular basis, but not all members of the Council have recognized it as part of the mandate of the body and some have proposed to transfer it to the UN General Assembly (UNGA).

Children and armed conflict. Although the UNGA adopted the Declaration on the Protection of Women and Children in Emergency and Armed Conflict in 1974, the Security Council was able to contribute to the protection of these categories of people in conflict situations. This agenda item was reviewed by the Council on a regular basis, a special working group was created, and detailed resolutions were adopted, including Resolution 1261 which identified six serious violations affecting children during conflict:

- recruitment and use of children;
- killing and mutilating children;
- sexual violence against children;
- attacks on schools and hospitals;
- abduction of children;
- denial of humanitarian access [UN, n. d., b].

The Council emphasized the need to take into account the special needs of girls, urged taking into account the needs of children while providing humanitarian aid, emphasized the negative impact of the illicit arms trade on the life and health of children, and suggested that, where possible, children should be involved in peace processes.

However, although the issue is considered on a regular basis, not all members of the Council have recognized it as part of the mandate of the body and some have suggested transferring it to the General Assembly or the UN Economic and Social Council (ECOSOC) [Ibid., 2009].

Women and peace and security. Namibia and Vietnam (protecting women in conflict situations), as well as the United States (gender equality) sponsored resolutions on this agenda item [Kvinna till Kvinna Foundation, 2010]. By the time this issue was put on the agenda of the Council, many relevant documents had already been adopted. However, the issue was examined on a regular basis, detailed resolutions were adopted, and a special mechanism for monitoring the situation was created. The priority issues for the Council were attracting more women to participate in peacekeeping and peacekeeping missions, ensuring the protection of women and girls during conflict, and fair and equal representation of women in decision-making on issues of peace and security. Unfortunately, NGOs indicate that the Council has much more to do in this area [WILPF, n. d.]. In addition, although the issue is reviewed on a regular basis, some members of the Council do not agree with the need for the Council to consider gender equality issues [UN, 2011b].

Protection of UN personnel, associated personnel and humanitarian personnel in conflict zones. At the time of the introduction of this item on the agenda of the Council, the issue was already being actively discussed in the UNGA; the Convention on the Safety of UN Personnel and Associated Personnel was adopted. The Security Council did not take any concrete measures on the issue – its resolutions were in reaction to the attack on the UN headquarters and were intended to draw attention to the problem.

Hostage-taking and kidnapping. This question was first raised by the United States (several U.S. citizens were abducted and killed in 1984–85 in Lebanon) and then by Canada and Finland (which were not states of citizenship of the victims) [Ibid., 1985]. By the time the UN Security Council began to consider this issue, many relevant conventions and documents had already been adopted. Raising this issue, the Security Council exclusively drew attention to the problem: its resolutions were a reaction to the increasing incidence of hostage-taking and kidnapping.

Ensuring the safety of refugees. By the time this item was included in the Council's agenda, this issue was already being dealt with by specialized UN bodies. The Security Council discussed the issue, taking action only for individual countries with a focus on Africa [Ibid., 1998a]. The question of entering the issue into the terms of reference of the Council was not raised and specific discussion of this issue has almost ceased; instead it is reflected in resolutions on the situation in certain countries of the world.

2) Civil aspects of conflict management and peacebuilding

Consideration of these issues was initiated by the UN secretary-general and the Group of Eminent Persons on the Relationship Between the UN and Civil Society [Ibid., 2004]. The Security Council has become the initial place for consideration of these issues. Not all members of the Council have recognized the issue of the role of civil society in conflict prevention as part of the mandate of the body and some have proposed to transfer it to ECOSOC. As a result, the Security Council formed a specialized body to further work on the issue.

3) Selected soft security issues

Protection in respect of humanitarian assistance to refugees and others during conflicts. This issue has long been dealt with by other UN agencies and other organizations, and the Security Council joined the discussions only after an appeal by the UN secretary-general. The Council limited itself to debates on this issue, and subsequently included paragraphs relating to humanitarian assistance only in separate resolutions on the situation in specific countries of the world.

HIV/AIDS and international peacekeeping operations. The Security Council was the first to address HIV/AIDS in the context of conflict. The Security Council drew attention to the issue, pointing out the problems of access to HIV/AIDS care and treatment, the need to train peacekeeping personnel and other employees of international organizations in the field of disease prevention [Ibid., 2000a; 2011a]. The inclusion of the issue in the agenda of the Council was disputed by some members of the body. This issue has almost ceased to be discussed, and it has been put into the preambles of resolutions on the situation in certain countries of the world.

Climate change in the context of international security. Consideration of this issue was initiated at different times by Great Britain, a permanent member of the Council, and also by Germany and the small island states as non-permanent members. Consideration of this agenda was limited to discussions, since the issue was not recognized as falling within the mandate of the Council.

Food and security. The World Food Programme initiated the inclusion of this issue on the agenda of the Council. The Security Council was one of the first to consider the problem of food shortages in the context of ensuring international security. However, consideration of this problem was limited to discussions, and it was adopted in a resolution on the situation in certain countries of the world.

4) Problems of human rights protection

Various forces have initiated the consideration of these issues by the Security Council, and the agenda was pushed more often for political reasons than for humanitarian ones. The Security Council is holding back consideration of this group of issues, and human rights violations are either referred to specialized bodies (the UN Human Rights Council), considered at informal meetings, or detailed questions are rejected.

Motives to Put Humanitarian Resolutions on the Security Council's Agenda

On the whole, the UN Security Council did not have a specific mechanism for including humanitarian issues on its agenda – each issue was included for its own reasons and took place at different stages of the development of such issues at the international level. The process of including humanitarian issues on the Council's agenda has not been homogeneous primarily because the initiative to include such issues came from various states or groups of states, and other actors with various motives.

The following groups of lobbyists pushed the humanitarian agenda in the UN Security Council at different times:

1) Non-permanent members of the Security Council that wanted to leave their mark on the history of the Council

Since non-permanent members usually seek to leave a positive legacy from their period of Security Council membership, they are often the ones that initiate the inclusion of relevant issues on the agenda [German Institute for Human Rights, 2012, p. 1]. One example is Germany (2011–12), which sought to ensure that the Council considered the security-related effects of climate change [Ibid., p. 4]. However, the most illustrative example in this regard is Canada (1999–2000). Canada wanted to restore trust in UN peacekeeping that had been lost after the tragic events in Rwanda, Bosnia and Somalia. Canada promoted a more interventionist approach to maintaining international peace and security, and for this purpose advanced the issue of "human security"[3] in the Council. As its foreign minister, Lloyd Axworthy, said before Canada took a seat on the Council: "Canada will work to form a more proactive, problem-oriented Council that will focus on the human dimension of security" [Donais, 1999, p. 18].

[3] Defined by the UNDP [1994] as "freedom from fear" and "freedom from want" in economic, food, health, environmental, personal, community and political dimensions.

However, in practice, Canada encountered a number of challenges. Canada needed to convince the five permanent members of the Council to take the concept of human security seriously. Canada should have taken into account the cautious attitude of Russia and China toward interference in the internal affairs of other states. It also had to convince the United States of the appropriateness of spending resources to achieve the goals of human security, which did not always correspond to American national interests [Donais, 1999, p. 19].

In addition, the very composition of the Security Council in 1999–2000 could complicate the promotion of the principles of human security. At that time, the developing world in the Security Council was represented by such micro-powers as Bahrain and The Gambia, and the Human Development Report: New Dimensions of Human Security Council might not have sufficient legitimacy for a cardinal transition to the human security approach [UN, n. d., a].

However, there was an increase in the Council's interest in the human security agenda in 1999–2000. Canada succeeded in creating a Human Security Network partnership to advance human security concerns, including Norway, Austria, Ireland, Switzerland, Thailand, the Netherlands, Slovenia, Jordan, Chile and South Africa [Dedring, 2004, pp. 67–8].[4] Later, Japan and Korea also expressed support for the ideas of the group [Ibid., p. 73]. The latter, during its presidency of the Security Council, acted as the initiator of open meetings on some humanitarian issues.

2) Politicians for whom the humanitarian agenda was at a premium

In some cases, the introduction of a humanitarian issue on the agenda of the Security Council was made by one person. In this regard, the UN secretary-general in 1997–2006, Kofi Annan, can be especially noted. Annan actively promoted issues on the Security Council which he considered his "personal priorities," such as the fight against HIV/AIDS [UN, 2006] and humanitarian initiatives in Africa [Ibid., 1998b].

Another striking example was the minister of foreign affairs of the Republic of Namibia, Theo-Ben Gurirab, who promoted the protection of children in armed conflicts during his presidency of the Security Council and the UN General Assembly in 1999–2000.

3) Particular bodies and organizations in the UN system, mainly with humanitarian mandates

The introduction of humanitarian issues on the agenda of the Security Council has been sought by many bodies, organizations and agencies in the UN system, as they want to draw the attention of the public and sponsors to their activities and reinforce them with the authority of the Council. For example, at the Security Council meeting on HIV/AIDS and international peacekeeping operations, the executive director of the Joint United Nations Programme on HIV/AIDS (UNAIDS) explicitly noted that a consideration of HIV/AIDS as not only a health issue but also as an issue of security and development will fundamentally change the approach to the resources that can be used to solve this problem, which will greatly assist UNAIDS in carrying out its activities [Ibid., 2011, p. 815].

New opportunities to advance their agenda opened up for UN agencies in 1992, when "Arria formula" meetings became part of the practice of the UN Security Council. Such meetings may include invitations of UN organizations and agencies with humanitarian mandates, heads of international organizations, persons holding high posts at the UN, or representatives of NGOs and civil society [Security Council Report, 2019]. Such meetings were conceived as informal,

[4] According to other sources, also Greece and Mali [UN, 2011b, p. 804].

confidential meetings for the frank exchange of private opinions on issues covered by the powers of the Security Council [Permanent Mission of Russia to the UN, 2016]. However, the format began to be used in cases where the Security Council could not reach an agreement on holding an official meeting because of the controversy of the issue under discussion. Examples of such Arria formula meetings include the briefing by the UN secretary-general on security aspects related to climate change (15 February 2013), as well as the meeting on human rights in Syria, which was scheduled immediately after the failed procedural vote on inclusion of this issue on the official agenda of the Council (19 March 2018) [Security Council Report, 2019]. Human rights violations in various parts of the world were often discussed at Arria formula meetings. The inclusion of such issues on the official agenda has been promoted by the UN High Commissioner for Human Rights [OHCHR, 2017] and representatives of human rights organizations.

4) Non-governmental organizations

NGOs also actively participate in Arria formula meetings. For example, Human Rights Watch and Freedom House took part in the meeting on the human rights situation in Crimea (18 March 2016) [UN News, 2016]. In general, NGOs have roughly the same goals as the humanitarian units in the UN system. However, if the latter are interested in the issues they advance within the UN, for NGOs it is important to cover their activities in the media. Although meetings according to the Arria formula were conceived as confidential, they are periodically broadcasted. The Russian Federation, for example, claims that such meetings are sometimes used as a means of advertising to the media and NGOs, which undermines the prestige of the Security Council [Interfax, 2014].

NGOs also seek to use the authority of the Council to assist in their activities. For example, the International Committee of the Red Cross supported the adoption of Security Council resolutions on the protection of humanitarian personnel in conflict zones [ICRC, 2018].

Some NGOs not participating in Security Council meetings seek to influence its activities from outside. For example, the oldest women's organization, the International Women's League for Peace and Freedom, has created a special project called "PeaceWomen" to monitor the UN system and to improve the status of women in conflict and post-conflict periods [WILPF, n. d.].

When lobbying humanitarian issues in the Security Council, the above-mentioned groups often encounter resistance coming from the following groups:

1) Some developing countries

The promotion of humanitarian issues in the UN Security Council is often hindered by some developing countries that consider humanitarian issues to be within the internal competence of states and fear encroachment on their own sovereignty. Tunisia, Brazil, Angola, Venezuela and others are among such countries. They usually vote against holding meetings to discuss human rights and are wary of humanitarian interventions and unhindered humanitarian access.

2) The members of the Permanent Five in case of conflict between humanitarian issues and their interests

There are opinions that the behaviour of the permanent members of the Security Council is the main reason for the inconsistency of the Council's practice in combating human rights violations [German Institute for Human Rights, 2012, p. 3]. Thus, meetings on the human rights situation in Palestine, the Democratic People's Republic of Korea and Crimea were blocked.

3) Security Council members opposing a broad interpretation of the concept of security and the expansion of the Council's powers

Such members of the Security Council believe that an expanded interpretation of the concept of security and an expansion of the mandate of the Council will impede its activities and will contribute to the "crawling" of the powers of other UN bodies and agencies to the Council.

Vivid examples of countries making such statements are India and China. They either call for referring the matter to other bodies such as the UNGA, ECOSOC or the Human Rights Council, as was the case with the agenda item "Children and Armed Conflicts" [UN, 2009] or they state that a problem is contrived, as in the case of HIV/AIDS.

The Main Results of the Study

Since the end of the 20th century, the importance of humanitarian and social issues has sharply increased. Issues of a humanitarian and social nature began to be actively included in the agenda of the UN Security Council, traditionally focused on protecting states from hard threats to security. The catalyst for the inclusion of humanitarian items on the agenda of this body was the Millennium Summit of 2000, the goal of which was to determine the role of the UN in the new era. The Security Council tried to adapt to a new reality. The growing importance of humanitarian issues for the Security Council is well demonstrated by the correlation of resolutions affecting the issues of hard and soft security.

Thus, in the late 1990s and early 2000s, the UN Security Council began to consider a rather large amount of humanitarian issues, which can be divided into three groups. The first includes issues of the security of individuals in armed conflicts (civilians, children, women, UN and humanitarian personnel). The second includes civilian aspects of conflict management and peacebuilding, including the role of civil society and individual actors in conflict prevention and post-conflict peacebuilding. The third includes various issues of soft security (including issues of humanitarian assistance and such soft threats to security as HIV/AIDS epidemics, food crises and climate change). In addition, the Council also addressed human rights violations in its resolutions.

Thus, in the 1990s and 2000s, the range of humanitarian issues discussed by the Security Council expanded, as did the list of actors who introduced Security Council resolutions on humanitarian issues. The promotion of humanitarian issues in the Council at different times was facilitated by: high-ranking officials who put a premium on humanitarian issues; various bodies and organizations in the UN system, mainly with humanitarian mandates; some non-permanent members of the Security Council that wanted to leave their mark on the history of the Council; and, various NGOs. In turn, some countries opposed the adoption by the Security Council of measures on issues they considered to be within the internal competence of states.

The Security Council adopted resolutions on issues of soft security, widely interpreting its right to determine the existence of "any threat to peace" in accordance with Article 39 of the UN Charter. At the same time, the increase and expansion of humanitarian and social issues in the world posed a dilemma for the UN Security Council as to whether to include the full range of these issues on the agenda or to decide that they are beyond the mandate of the Council. There is no definite answer here. On the one hand, the trend is toward a strengthening of the humanitarian agenda and its ever-greater involvement in security issues, while on the other hand, an expanded interpretation of the concept of security may impede the work of the Council. This dilemma should be resolved by UN member states through a reform of the Security Council to define a closed list of the powers of the body.

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The Challenges of Attaining the Millennium Development Goals (MDGs)[1]

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Abstract

The history of the millennium development goals (MDGs), the achievement of which experienced a major setback with the outbreak of the 2008 global economic and financial crisis, may provide some useful insights on the global partnership for the sustainable development goals (SDGs). There is a vast literature devoted to the MDGs. Most of the analysis is focused on the implementation and progress made toward achieving the MDGs. Fewer authors explore reasons for shortfalls or describe intrinsic limitations to the MDG framework, including limitations in the development, formulation and content of the MDGs themselves.

This article reviews cooperation on the MDGs, exploring the priorities of different stakeholders and the challenges to progress in the broader context of development and global governance. The review focuses on MDG 8, developing a global partnership for development. Added to the MDGs due to Kofi Annan's leadership, MDG 8 helped to attract support from developing countries which viewed the MDGs as reflecting a one-sided deal favouring the interests of rich countries. Inclusion of the goal to reform the international economic system appeased some critics of the international development goals that were put forward by the Organisation for Economic Co-operation and Development (OECD) and taken as the basis for the MDGs. This article argues that despite the endeavour by the United Nations (UN) General Assembly to steer the development of global partnerships, extrinsic barriers such as lack of political will on the part of the key stakeholders, the financial crisis, and vested interests prevented delivery on MDG 8's key target of developing an open, predictable, rule-based, non-discriminatory trading and economic system. Achievement of this goal is necessary in order to create the equitable and inclusive international order demanded by developing countries for decades. Most markedly, a lack of progress on MDG 8's goal of addressing systemic issues of global economic governance became the greatest challenge to achieving the MDGs, and the greatest disappointment. Systemic problems were inherited by the SDGs, the achievement of which requires a truly global partnership able to build a new economic order as a foundation for inclusive and sustainable development.

This review draws on content analysis of General Assembly resolutions and the official records of its 55th to 70th sessions, documents from the three conferences on financing for development, the crisis summit, reports on MDG results, and public statements and analytical narratives about the MDGs.

Key words: millennium development goals (MDGs); a global partnership for development; reform of the international economic system; the UN; global financial and economic crisis; sustainable development goals (SDGs)

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Introduction

Five years after the adoption of the sustainable development goals (SDGs), the World Economic Outlook (WEO) projected a decline in growth in 2019 for 70% of the global economy. Geopolitical tensions, trade disagreements, distorted barriers and crumbling multilateralism put a drag on economic growth, risking a protracted global slowdown [IMF, 2019] and hindering progress toward achieving most of the SDGs. This is not a new story. The history of the millennium development goals (MDGs), the achievement of which experienced a major setback with the outbreak of the 2008 global economic and financial crisis, may provide some useful insights on the global partnership for the sustainable development goals (SDGs). There is a vast literature devoted to the MDGs. Most of the analysis is focused on the implementation and progress made toward achieving the MDGs. Fewer authors explore reasons for shortfalls or describe intrinsic limitations to the MDG framework, including limitations in the development, formulation and content of the MDGs themselves [Fehling, Nelson, Venkatapuram, 2013].

This article reviews cooperation on the MDGs, exploring the priorities of different stakeholders and the challenges to progress in the broader context of development and global governance. It argues that despite the endeavour by the United Nations (UN) General Assembly (GA) to steer the development of global partnerships, extrinsic barriers such as lack of political will on the part of the key stakeholders and the financial crisis suppressed the process. Due to the key stakeholders' vested interests, the international community failed to deliver on MDG 8's key target of developing an open, predictable, rule-based, non-discriminatory trading and economic system. Achievement of this goal is necessary in order to create the equitable and inclusive international order demanded by developing countries for decades.[2] This review draws on content analysis of General Assembly resolutions and official records from its 55th to 70th sessions, documents from the three conferences on financing for development, the crisis summit [UN, 2009b], reports on MDG results, and public statements and analytical narratives about the MDGs.

Setting the MDGs

The Millennium Declaration heralded at the GA's 55th session was proceeded by complex preparatory processes in which multiple actors were involved, advancing their competing and sometimes contradictory priorities. The frantic negotiations on the MDGs continued after the Millennium summit. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), the World Bank and the International Monetary Fund (IMF) wanted the international development goals (IDGs) proposed by the OECD in its "Shaping the 21st Century" document [1996] to be the MDGs [Hulme, 2009, pp. 33–43]. The UN was prepared to compromise if the international financial institutions (IFIs) would take responsibility for support of the poverty reduction strategies of the developing countries with a clear division of labour between UN agencies and the IFIs. The IDGs became the basis for the MDGs, which were agreed to as a result of tough consultations and presented in the secretary-general's first report on the Millennium Declaration. "The proposed formulation of the eight goals, 18 targets and more than 40 indicators" included a significant addition – Goal 8, "Developing a Global Partnership for Development" [UN, 2001a, p. 55].

[2] The Group of 77 (G77) initiative on global negotiations relating to international economic cooperation for development was approved at the 34th session of the GA [UN, 1979]. It sought to establish a new economic order, but encountered opposition from the western states and became one of the landmark failures of the third and fourth development decades (for a full account see M. Larionova and E. Safonkina [2018]).

As Aldo Caliari pointed out, "Kofi Annan's leadership seems to be the reason for the addition of a MDG 8, which was likely a necessary move to attract support from developing countries. Being born from a DAC project, the Goals were viewed with suspicion by developing countries as being a one-sided deal favoring the interests of rich countries ... A goal to reform the international economic system may have been seen as a way to appease criticisms of the International Development Goals endorsed in earlier publications. Yet, the language and further, the targets, ultimately employed to crystalize those aspirations were far from a concession to globalization critics" [2013, p. 6]. Indeed, it can be traced to the "We the Peoples" report prepared by the office of the secretary-general for the Millennium summit. The inclusion of MDG 8 helped to gain support for the framework. Though there was much criticism of the closed nature of the genesis of the MDGs, they were hailed by many for their simplicity, concise and outcome-based targets, communicability, pragmatism and catalytic effect [Landford, 2016, pp. 169–70].

The MDGs were endorsed at the first International Conference on Financing for Development, held in Monterrey in March 2002. The Monterrey Consensus defined priorities (leading actions) aimed at addressing the challenges to financing for development and to achieving poverty eradication, sustained economic growth and sustainable development [UN, 2002g]. The MDGs became a reference point for development cooperation among UN members, though the world's greatest power, the U.S., confirmed the MDGs only in 2005. As David Hulme noted, President George W. Bush and his administration stated "that all their decisions were based purely on the US national interest and made this point forcefully by refusing to collaborate in international processes to curb climate change…They were highly suspicious of the UN, seeing it as an organisation which was probably anti-American" [2009, p. 42]. This philosophy is also professed by the current administration of President Trump.

The MDGs and the Monterrey Consensus set forth a new phase in the UN's narrative of development cooperation and its continued engagement with the Bretton Woods institutions, the World Trade Organization (WTO), national parliaments, civil society and the private sector in pursuit of inclusive and sustainable economic development. The MDGs helped to advance cooperation on eradicating extreme poverty and hunger (MDG 1), achieving universal primary education (MDG 2), eliminating gender disparity in education (MDG 3), reducing child mortality (MDG 4), improving maternal health (MDG 5), combating HIV/AIDS, malaria and other diseases (MDG 6), ensuring environmental sustainability (MDG 7) and promoting a global partnership for development (MDG 8). Though progress was uneven, it was undoubted and confirmed by hard data [UN, 2015c]. The GA advanced the progress. Over 15 years the secretary-general and the GA persevered in maintaining the momentum for cooperation, pushing for concerted global, regional, national and local efforts, although with different degrees of success.

Advancing the MDGs

Poverty Eradication

Cooperation on poverty eradication was boosted by the MDGs, and progress on implementation of the United Nations Decade for the Eradication of Poverty was reviewed at each session. Calling upon "all countries to formulate and implement outcome-oriented national strategies and programmes, setting time-bound targets for poverty reduction, including the target of halving, by 2015, the proportion of people living in extreme poverty" [Ibid., 2002a, Para. 5], the resolutions on eradication of poverty covered a comprehensive set of targets for international cooperation.

Emphasizing the importance of achieving the target of 0.7% of the developed countries' gross national product (GNP) allocation for overall official development assistance (ODA), and allocating, on average, 20% of ODA and 20% of the developing countries' national budgets to basic social programmes, the GA sought to stimulate a global response, promote global economic governance, and contribute to poverty eradication through specific initiatives such as the establishment of the World Solidarity Fund to eradicate poverty and promote social and human development [UN, 2004a, Para. 27–9]. The fund, proposed by the World Summit on Sustainable Development, was established by the GA's decision at the 58th session. However, the donors were reluctant to create new funding mechanisms. By the end of the UN's First Decade for the Eradication of Poverty it was still not operationalized. It gradually lost prominence in the resolutions and subsequently gave way to a more general call to "strengthen United Nations funding for the eradication of poverty through voluntary contributions to existing poverty-related system-wide funds" [Ibid., 2014, Para. 17].

MDG 1 became one of the most advanced among the MDGs. By 2015, the number of people living in extreme poverty and hunger was estimated to have declined by more than 50%. The global employment-to-working population ratio fell only by 2%, from 62% in 1990 to 60% in 2015 [Ibid., 2015c, pp. 14, 17] Given that many experts consider that "it is close to impossible to assess the impact of the MDGs on poverty reduction" and that "statistics have been abused to fabricate evidence of success" [Kvangraven, Reddy, 2015, p. 21], assessments of the GA's contribution toward attaining this goal would be even less plausible. Nevertheless, the GA should be credited for pushing poverty to the heart of development cooperation and seeking to mobilize, coordinate and hold accountable the numerous stakeholders in the process, including UN agencies, the multilateral development banks, the donors, the developing countries' national governments, business and civil society.

Universal Primary Education and Elimination of Gender Disparity

The United Nations Literacy Decade: Education for All (EFA) [UN, 2002b] (1 January 2003 –1 January 2013) provided support to the international EFA initiative as well as two out of the six collective commitments of the Dakar Framework for Action [Ibid., 2000a] adopted at the World Education Forum in 2000. In 2002 the GA approved an international plan of action for the United Nations Literacy Decade prepared by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and reviewed its progress every two years, delegating to UNESCO a coordinating role in stimulating and catalyzing the activities [Ibid., 2002b, Para. 8].

Progress on the two education MDGs was mixed. In the 2015 EFA Global Monitoring Report, the primary school net enrolment ratio was estimated to have reached 93% in 2015. Between 1999 and 2012 the number of countries with fewer than 90 girls enrolled in primary school for every 100 boys fell from 33 to 16. At the primary level, 69% of the countries with data were expected to have reached gender parity by 2015. Progress was slower in secondary education, with 48% projected to be at gender parity in 2015. Despite progress in access, dropout remained an issue [Ibid., 2015d]. It is impossible to estimate if the inclusion of the two EFA commitments into the MDGs, the UN plan of action, and the UNESCO activities made a tangible difference for advancing the goals. The EFA Global Monitoring Report team was critical of UNESCO's role noting that "the formal EFA coordination mechanism, led by UNESCO, did not ensure continuous political commitment and had limited success in engaging other agencies and stakeholders" [Ibid., p. 11]. However, though "the world fell short on the MDG to achieve universal primary school education completion by 2015... the rate of progress more than doubled accelerating from 0.62 to 1.35 percentage points per year ... leading to an estimated 59 million to 111 million more people completing primary school between 2000 and 2015" [McArthur, Rasmussen, 2017, p. 29]. This was an important achievement and the UN clearly deserves some credit for the outcome.

Reducing Child and Maternal Mortality, Combating HIV/AIDS, Malaria and Tuberculosis

The three health-related goals were not very prominent on the GA's agenda. It followed up on the implementation of the Declaration of Commitment on HIV/AIDS and proclaimed the period 2001–10 as the Decade to Roll Back Malaria in Developing Countries, Particularly in Africa [UN, 2003b]. It supported the high priority given to the fight against malaria in the New Partnership for Africa's Development, and encouraged cooperation between members of the World Health Organization, the United Nations system, the Bretton Woods institutions, the private sector and civil society in enhancing capacity building in global public health and in promoting public health at the country level [Ibid., 2003c]. The 38-page 2005 World Summit Outcome noted child and maternal health in passing, stating that the goals of achieving universal access to reproductive health, reducing maternal mortality, improving maternal health, reducing child mortality, promoting gender equality, combating HIV/AIDS and eradicating poverty by 2015 should be integrated into national development strategies [Ibid., 2005a]. The Doha Declaration on Financing for Development does not mention child and maternal health, though it does commit to continue investments in human capital, including health and education, and to support it through ODA [Ibid., 2009a].

The "Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development" document confirmed the need to improve access to health services and to address the negative impacts of the crisis, including increasing infant and child mortality [Ibid., 2009b, pp. 3, 7]. However, it understandably was focused on the crisis' implications for international trade, reform of the international financial and economic system, and actions which would contain the effects of the crisis and improve future global resilience. The health-related goals are barely noted.

The High-Level Plenary Meeting of the General Assembly on the Millennium Development Goals, at its 65th session, made an extensive and explicit commitment to accelerate and scale up progress on the three health-related MDGs, strengthening the capacity of national health systems to deliver equitable and quality healthcare services, improving national health governance, strengthening international cooperation, scaling up prevention and vaccination programmes, improving child nutrition and building up strategic partnerships [Ibid., 2010, pp. 18–23].

The results for the three health-related MDGs were higher than predicted compared to the early estimates based on calculations using historical evidence regarding progress in the indicators underlying the MDGs [Clemens, Kenny, Moss, 2004]. Global under-five and maternal mortality declined by more than half between 1990 and 2015, the rate of child mortality reduction tripled, and global measles vaccine coverage rose from 73% in 2000 to 84% in 2013 [UN, 2015c, p. 5]. A tenfold increase in international financing for malaria helped cut the incidence of global malaria by 37% and mortality by 58% [Ibid., p. 47]. Tuberculosis incidence, mortality and infections were reduced by 50%. Progress was notable, though profound disparities remained between regions, countries, and urban and rural populations. Obviously the positive dynamics were the result of a combination of efforts aimed at poverty eradication, enhancing literacy, building health systems' capacities and increased access to clean water, sanitation, and improved housing conditions. These outcomes confirm that the analytical assumptions regarding the role of income and education in achieving health goals [Filmer, Pritchett, 2000] were correct and the comprehensive pursuit of MDGs 1–6 proved effective.

Environmental Sustainability

The World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August – 4 September 2002, proclaimed "sustainable development as a key element of the overarching framework for United Nations activities, in particular for achieving the internationally agreed development goals, including those contained in the United Nations Millennium Declaration." The World Summit Political Declaration and the Johannesburg Plan of Implementation were endorsed by a resolution of the GA [UN, 2003d, Para. 3]. Despite "continuing resistance at government level to integrating the social, environmental and economic dimensions across government departments" [Doran, 2002, p. 14], as a result of the summit the understanding of sustainable development was broadened and strengthened, particularly the important linkages between poverty, the environment and the use of natural resources [Ibid., 2002, p. 17].

The Plan of Action elaborated the MDGs on poverty eradication, education and health; expanded the targets on environmental sustainability; called for an increased commitment on ODA, strengthened institutional frameworks, and enhanced partnership for sustainable development [UN, 2002d]. The GA annually reviewed the implementation of the World Summit on Sustainable Development, the Johannesburg Action Plan, and the Programme for the Further Implementation of Agenda 21 [Ibid., 2004b]. The main commitments agreed in the Plan of Implementation, including actions for countries with special needs and regional initiatives, were consistently followed up to keep momentum.

The 2005 World Summit definitively confirmed that "sustainable development in its economic, social and environmental aspects constitutes a key element of the overarching framework of United Nations activities" [Ibid., 2005a, Para. 11]. It committed to integrate the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars [Ibid., 2005a, Para. 48], and reiterated the priority of strengthening global partnership and international cooperation for sustainable development.

Building capacity for sustainable development requires resources. The global financial and economic crisis dealt a severe blow to mobilization of domestic and international finance for development, and exacerbated external debt problems and the inequalities in access to trade, finance, investment, and sustainable infrastructure. It also setback economic growth, and put at risk the achievement of the MDGs. Further, it made it hard to choose between more economic output or more environmental protection, especially for developing countries.

In the aftermath of the crisis, the Doha Declaration on Financing for Development outlined a list of priority actions to contain the effects of the crisis. It resolved to address systemic issues and to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development. Despite the pressures of the crisis, the outcome document managed to keep sustainable development as a focus. It reaffirmed the principles of sustainable development and underscored "the need for a global consensus on the key values and principles that will promote sustainable, fair and equitable economic development" [Ibid., 2009b, Para. 41]. It also encouraged "the utilization of national stimulus packages, for those countries in a position to do so, to contribute to sustainable development, sustainable long-term growth, promotion of full and productive employment and decent work for all and poverty eradication" [Ibid., 2009b, Para. 32]. However, the subsequent pattern of cooperation and resolutions on sustainable development, and the narrative set forth by the Johannesburg Plan, did not change.

By 2015 the target of halving the proportion of population without access to safe drinking water was surpassed and access to improved sanitation increased from 54% to 68%. However, water scarcity affected more than 40% of people and was projected to increase; inequalities between regions, and between rural and urban populations remained high; global carbon dioxide emissions accelerated, increasing by over 50% compared to 1990 [UN, 2015c, pp. 52–61]. The Millennium Development Goals Report advocated a true integration of environmental, social and economic dimensions in the post-2015 agenda.

Partnership for Attaining the MDGs (MDG 8)

The global partnership for development was "the only MDG which addressed the responsibility of wealthier countries to assist poorer states in meeting their development and human rights commitments. Though it covered a wide range of transnational policy issues, including trade, aid and debt, it was the only goal that placed no concrete quantitative targets to reach by 2015" [Center for Economic and Social Rights, n. d.]. It sought to promote changes at the global level, which the international community had not been able to achieve in the four UN development decades [Larionova, Safonkina, 2018]. MDG 8 committed to develop an open, predictable, rule-based, non-discriminatory trading and economic system; to deal exhaustively with the debt problems of developing nations; to address the special needs of the least-developed, small island, and landlocked developing countries; and to provide access to affordable essential drugs and avail the benefits of new technologies in the developing world. These targets are a far cry from the reform of the international economic system implied by MDG 8, which had been included to gain support of the developing countries.

MDG 8 was not able to re-energize the promotion of a democratic and equitable international order [UN, 2001b], a credible multilateral trading system [Ibid., 2001c], or a strong and stable international financial architecture [Ibid., 2001d] – key conditions if globalization is to work for all. The gap between the narrative in the GA and cooperation with IOs remained wide. In debate on the international financial architecture, the U.S. invariably reiterated its long-standing position that "it is essential that the full independence of the international financial institutions be completely respected and upheld, especially in ... such areas of concern as the suggestion of regulatory frameworks for short-term capital flows and trade in currencies, as well as the consideration of the consolidation of a broader global agenda regarding the international financial system" [Ibid., 2000b]. Though the resolutions on "A Strengthened and Stable International Financial Architecture Responsive to the Priorities of Growth and Development, Especially in Developing Countries, and to the Promotion of Economic and Social Equity" [Ibid., 2002c] and "Enhancing International Cooperation Towards a Durable Solution to the External Debt Problems of Developing Countries" [Ibid., 2002f] were adopted at each session they did little to promote reform or relieve the debt burden.

The GA's calls "upon members of the World Trade Organization to engage in negotiations with a renewed sense of urgency and purpose and to redouble their efforts to achieve a successful outcome of the Doha work programme, including on the issues of particular interest to the developing countries" [Ibid., 2004c] did not advance the Doha negotiations "towards the successful, timely and development-oriented conclusion" [Ibid., 2004d].

The GA sought to harness support of a wide range of stakeholders – the donors, bodies of the United Nations system, international financial institutions and other multilateral organizations, business and NGOs – for implementation of the Programme of Action for the Least Developed Countries [Ibid., 2009f], the Programme of Action for the Sustainable Development of Small Island Developing States [Ibid., 2008], and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries [Ibid., 2004e]. To advance a global partnership, the GA sought to define modalities for enhanced cooperation between the United Nations and all relevant partners in the annual resolutions on global partnership [Ibid., 2002e], initiated the

High-Level Dialogue on Strengthening International Economic Cooperation for Development Through Partnership [UN, 2003e], and endeavoured to consolidate the UN's central role in promoting international cooperation for development [Ibid., 2005d] in the context of globalization.

By the time of the 2005 World Summit, little progress was made on MDG 8, especially on the systemic issues. The smooth language of the outcome document [Ibid., 2005a] on commitments to the global partnership for development, substantial increases in official development, greater foreign direct investment in developing countries, a timely, effective, comprehensive and durable solution to the debt problems of developing countries through debt relief, a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, reform of the international financial architecture to enhance the voice and participation of developing countries and countries with economies in transition in the Bretton Woods institutions, as well as the goal of sustainable development, concealed tough divisions among the member states. The deep disappointments were openly stated by the representative of Cuba, a country with little to lose by alienating the document's sponsors [Ibid., 2005b, p. 46][3] given that the U.S. insisted on its sovereign right to use unilateral economic sanctions as an influential diplomatic tool to achieve legitimate foreign policy objectives [Ibid., 2005c] and had voted against UN resolutions on unilateral economic measures as a means of political and economic coercion [Ibid., 2006] at each session. Criticisms of the document included the absence of concrete steps to meet the MDGs, the last-minute submission of 750 amendments which jeopardized the summit, the enormous pressure by the U.S. and its allies to include the concepts of responsibility to protect and human security, the presentation of debt cancellation as official development assistance, and the absence of concrete commitments to work toward a new international order that is more just and equitable [Ibid., 2005b, p. 47]. In his solemn conclusion of the debate the co-chair had to diplomatically acknowledge that "the political message that emerged from our debate is clear: we need to redouble our efforts" [Ibid., 2005b, p. 48].

The 2008 financial crisis and subsequent global economic slowdown severely affected progress on the MDGs and demonstrated clearly how far the world was from the goal of achieving an equitable and inclusive international economic order [Ibid., 2009c] which the UN had sought to achieve for decades. The GA committed to consolidate global partnership, work on a coordinated and comprehensive global response to the crisis, and address its immediate impact and causes. However, the commitment did not provide the required catalytic influence for either the consolidation of a global partnership or the transition to a more inclusive, equitable, balanced, and development-oriented economic system.

The outcome document of the UN Conference on the World Financial and Economic Crisis and Its Impact on Development proposed a comprehensive set of actions, many of which were aligned with the decisions made at the Washington and London G20 summits. It is not accidental that the UN conference outcome document explicitly supported commitments the G20 leaders made at the London meeting [Ibid., 2009d, Para. 19, 28]. These included fiscal stimulus if national circumstances permitted, resistance to protectionism, improving regulation, and reform of international financial and economic governance. The GA requested the Economic and Social Council to "Consider and make recommendations to the UN regarding the possible establishment of an ad hoc panel of experts on the world economic and financial crisis and its impact on development" [Ibid., 2009d, Para. 56(e)].

However, the outcome document did not reflect the much more ambitious recommendations of the Commission of Experts on Reform of the International Financial and Monetary System, convened by the UN GA president under the leadership of Chairman Joseph Stiglitz. Inter

[3] The U.S. supported the 2005 World Summit Outcome document. See the statement of Mr. Bolton, the U.S. representative in the debate.

alia, the Commission recommended the "establishment of the Global Economic Coordination Council at a level equivalent with the UN GA and the SC with a mandate to assess developments and provide leadership on economic issues that require global action while taking into account social and ecological factors" [UN, 2009e, p. 91]. The Commission proposed that "The Council would have a mandate over the UN System in the economic, social, and environmental fields, which include the Bretton Woods Institutions (BWIs) and should include the WTO by bringing it formally into the UN System, and not only over the UN and its Funds and Programs, as has been characteristic of ECOSOC (which will thus continue exercising its traditional functions). Representation could be based on a constituency system designed to ensure that all continents and all major economies are represented. At the same time, its size should be guided by the fact that the Council must remain small enough for effective discussion and decision-making. In addition, active participation by and consultation with other important institutions, such as the World Bank, IMF, ILO, WTO, and of course the UN Secretariat, would be crucial" [Ibid., 2009e, p. 91].

The Commission's vision of economic governance reform was met with strong opposition by the western countries. The objection to using the UN to coordinate or lead on international economic issues was forcefully expressed by the U.S.: "Our strong view is that the UN does not have the expertise or the mandate to serve as a forum for meaningful dialogue or to provide direction on issues such as reserve systems, the international financial institutions and the international financial architecture" [Buxton, 2011, p. 308].

As R. Wade [2012] notes, "The western states, led by the U.S. and UK, wanted the G20 and the IMF, in which they have much more influence, to take charge of a global response. The U.S. ambassador to the UN, Susan Rice, and her staff made it clear that the U.S. government thought the G20, not the General Assembly, should be the central forum for debate. The UK wished to boost global leadership role of the UK Prime Minister, Gordon Brown, and did most to restrict the Commission's work. Its ambassador to the UN, John Sawers, was hostile to the project, and orchestrated phone calls from the British diplomatic service to nearly all members of the commission telling them they should quit to avoid personal and professional embarrassment. Coordinated by the U.S. and UK the opposition worked to ensure a dismissive coverage in the press and squashed the UN follow up on the conference decisions [Wade, 2012]. The IMF reassumed and the G20 assumed the role of key legitimate fora for negotiations on global economic governance." The leading western states failed to engage constructively with the UN to forge a truly collective response to the unprecedented economic and financial crisis. Though many of the Commission's recommendations were recognized by G20 decisions, the reform of global economic governance is unfulfilled and the root causes of the crisis have not been eradicated. The UN's efforts to coordinate a concerted response to the crisis and a transition to a more inclusive, equitable, balanced, development-oriented and sustainable economic development [UN, 2010] were rebuffed.

Thus, progress on the partnership for development targets was mixed. ODA increased by 66% between 2000 and 2014 [Ibid., 2015c, pp. 62–3], and OECD data shows that ODA rose very modestly after 2009 with serious setbacks in private flows.

Imports from the developing countries increased, with 84% of imports from the least-developed countries (LDCs) and 79% from developing countries admitted duty free in 2014. The proportion of external debt service to exports revenue fell from 12% in 2000 to 3% in 2013. Though Internet penetration grew from 6% of the world's population in 2000 to 43% in 2015 and the number of mobile phone subscriptions increased tenfold, from 738 million in 2000 to over 7 billion in 2015, the digital divide remained wide. Only one third of the population in developing countries had access to the Internet, compared with 82% in developed countries. With 97% global mobile penetration in 2015, it reached only 64% in the LDCs [Ibid., 2015c, pp. 64–8]. However, very little progress was made on the target of developing an open, predictable, rule-based, non-discriminatory trading and economic system.

Fig. 1. ODA and Private Flows

Source: [DAC-OECD, XXXX – not in references – the only DAC document listed is 1996, which predates much of the data in this figure].

The Addis Ababa Action Agenda called for an enhanced and revitalized global partnership as a vehicle for strengthening international cooperation for the implementation of the post-2015 development agenda [UN, 2015a, Para. 10]. The 2030 Agenda for Sustainable Development inherited the goal of revitalizing the Global Partnership for Sustainable Development. It includes attainment of a universal, rules-based, open, non-discriminatory and equitable multilateral trading system among the 19 targets of SDG 17, while reform of the economic and finance system is explicitly absent from the list [Ibid., 2015b, pp. 26–7].

Conclusion

The MDGs put forward an ambitious agenda for reducing poverty and improving lives. They are sometimes discarded as a bureaucratic exercise which made little impact on reality, with progress on development outcomes being seen simply as a product of underlying economic growth rather than directed policy efforts. However, quantitative assessments which calculated rates of progress from the pre-MDG period to establish business-as-usual trajectories and compared these with rates of progress following the establishment of the MDGs revealed an acceleration in progress compared with the pre-MDG reference period [McArthur, Rasmussen, 2017, p. ii]. The MDGs and the UN's endeavours to deliver on the promise to reduce poverty made a difference to the world. Though the progress was uneven, the calculations showed that "all regions except East Asia and the Pacific had accelerated gains in headcount poverty ratios declines after the MDGs were established. When excluding China and India from the equation, the rest of the developing world likely cut extreme poverty from approximately 32% in 1991 to 15% in 2013... On global health outcomes, the MDG era might have been the most successful period in history... primary school completion rates and gender parity in primary education accelerated in a majority of relevant countries... The clearest shortcomings during the MDG era were in the realm of environmental sustainability" [McArthur, Rasmussen, 2017, p. 45]. The greatest disappointment was a lack of progress on MDG 8, most markedly, on addressing systemic issues of global economic governance.

As in past decades, in the MDG era the UN was not able to challenge the existing power structure in a significant way. "They could discuss trade reform and debt relief in terms of changes and improvements, but not in terms of any fundamental changes to the overarching system. Such matters were for other fora – WTO, G7/G8 the OECD – in which the US, and other powerful entities, the EU, China and India would flex their muscles. All of these could be ambivalent about Goals 1 to 6 of the MDGs, but would keep a careful eye on issues such as trade, global environmental change and redesigning the international financial architecture" [Hulme, 2009, p. 45].

The MDGs played an epistemic role, providing a cognitive reference point for a wide range of stakeholders to organize the collaboration, the actions and the data in relation to the commonly agreed goals and targets. They played a motivational role focusing and incentivizing cooperation. As imperfect as these eight goals and their 21 targets may have been, they gave all partners objectives against which progress could be judged [Abdel-Malek, 2015, p. 12]. The goals became a focus of coordination between the actors, thus playing a coordinating role. And even if progress in building a global partnership was modest, "adoption of the MDGs, a new model, in which governments, businesses, investors, and all civil society groups form 'multi-stakeholder' partnerships to solve global problems has gained currency, both discursively and materially. ... The UN invested heavily in these partnerships to bring in corporations and philanthropic foundations" [Kvangraven, Reddy, 2015, p. 16].

The UN tried to steer cooperation in pursuit of the MDGs despite vested interests, discord among the key stakeholders, setbacks caused by the global economic crisis and subsequent downturn, systemic imbalances, and persistent fragilities.

Though the MDGs failed to deliver on MDG 8's key target of developing an open, predictable, rule-based, and non-discriminatory trading and economic system, they built a foundation and provided important lessons for cooperation to achieve their successor – the SDGs. The lessons should be learnt. Success in achieving the SDGs depends on providing the global governance architecture for the 21st century promised by the G20 and the UN. One of the crucial goals is attaining SDG 17's target of promoting a universal, rules-based, open, non-discriminatory, equitable trading system under the WTO, including through the conclusion of negotiations under its Doha Development Agenda, which is currently deadlocked and which amounts to much more than the indicator of the world-weighted tariff-average. The other key success factor is explicitly absent from the list of SDG targets: reform of the international monetary and financial system to equitably reflect the role of the emerging markets and developing countries, address vulnerabilities stemming from increasing prominence of the dollar in trade invoicing and in global banking and finance,[4] and provide a foundation for inclusive and sustainable development. Inability to achieve these targets was a key challenge for implementing

[4] Trade invoicing and its increasing prominence in global banking and finance increase spillover effects from developments in the U.S. economy and weakens the other countries' monetary policies effects. Growth in dollar denominated borrowings increases vulnerabilities to the dollar exchange rate and causes central banks governors to continue building costly dollar reserves. Transition to a new hegemonic reserve currency like the Renminbi would reduce the influence of the U.S. on the global financial cycle. The dollar's influence on global financial conditions could similarly decline if a financial architecture developed around the Synthetic Hegemonic Currency (SHC). Ultimately, a multipolar global economy requires a new international monetary system to realize its full potential [Carney, 2019].

the MDGs, and these targets remain key challenges for the SDGs' implementation. Ultimately, the SDGs require a truly global partnership able to build a new economic order.

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Debut

The Accession of Macedonia to the North Atlantic Treaty Organization as a Multi-Level Game[1]

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Abstract

This article analyzes Macedonian foreign policy during the process of joining the North Atlantic Treaty Organization (NATO). We use a modified version of Robert Putnam's multi-level game concept to show the role of domestic actors in determining Macedonian foreign policy. Based on an analysis of the interactions between the main domestic actors, we identify the reasons for the rapid resolution, after a long pause, of the question of Macedonia's name and membership in NATO. We use a case-study approach and analyze the available data on the ratio of actors within the existing institutions, key events in the political struggle, and programmes through which the parties formulated foreign policy options. Further, we note the reasons for Greece's concessions using the concept of multi-level games. We identify a number of important conditions for the formulation of Greece's position: it is important which party controls the cabinet, whether ruling party coalition partners are ready to support the actions of the cabinet, and whether the actions of the cabinet meet the ideological expectations of other parties. We conclude that three simultaneous conditions made it possible for Macedonia to presently be on the verge of accession to NATO. First, Macedonia's cabinet was formed by a party ready to accept Greece's conditions. Second, the party opposed to the country's renaming occupied less than one third of the seats, making a constitutional majority in the assembly possible. Third, because Macedonian bloc alliances are weak, allies of the anti-renaming party were willing to go against the party forming the bloc.

Key words: foreign policy; Greece; multi-level game; Macedonia; NATO

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Introduction

Macedonia has sought to join the Euro-Atlantic integration for many years, but unlike other post-socialist countries, it faced more than economic obstacles in doing so – the country's very

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name became the subject of international dispute. Previously, the position taken by Greece had threatened Macedonia's accession to the United Nations (UN); despite this, Macedonia has been cooperating with the North Atlantic Treaty Organization (NATO), steadily advancing since 1995 toward membership. However, while Macedonia seemed to have done everything necessary to join the Alliance in 2008, Greece vetoed the decision to invite Macedonia to sign the treaty due to problems with its name. It was only in 2018 that Macedonia and Greece began to discuss this issue, leading finally to an invitation to Macedonia to join the Alliance under a new name in 2019. How can we explain such a quick resolution of a problem that seemed unsolvable for 10 years? Why is the membership of Macedonia in NATO possible right now?

Studies of Macedonia's trajectory toward NATO and the European Union (EU) focus on the influence of the EU [Mavromatidis, 2010] and Greece [Tziampiris, 2012] and are not concerned with the joint influence of Greek and Macedonian domestic actors on this process. Therefore, in order to answer the research question, we turn to Robert Putnam's two-level games concept [Putnam, 1988]. Its essence is that the actors of international relations are not monolithic, and that there are no national interests common to all of the interest groups in a country. There are many actors in every country and the results of negotiation may depend on the coordination of interests between them. Therefore, the heads of states are forced to "play" on two levels at once. The first level involves direct negotiation between representatives of states. At the second level negotiations unfold within a country to find an agreement that takes into account the interests of groups. The fate of the ruling circles and the agreement under discussion depends on the reconciliation of these interests. The win-set is determined by the number of concessions the actors on the second level are ready to make. An agreement between states can be concluded only when the win-sets of both countries intersect, that is, when they do not encroach on the interests of the key domestic actors in each state.

Many researchers have modified Putnam's concept, considering new levels in their analyses of the formation of win-sets due to the increasing role of transnational corporations [Chung, 2007] and international organizations [Panke, 2013], particularly in the resolution of internal conflicts [Kubicek, 1997]. We also use a modified version of Putnam's concept. In this investigation, Macedonia and NATO are taken as first-level actors because they directly enter into the formal process of negotiations. Second-level actors include NATO states and the Macedonian parliamentary parties. The Greek parliamentary parties seem to be third-level actors in the win-set formation because Greece is the single NATO member that could not have formed the win-set, as we are going to show below.

Background of the Agreement

In 1991, the Republic of Macedonia emerged following the Yugoslavian collapse. However, the Republic was able to join the United Nations (UN) only in 1993 under a temporary name – the Former Yugoslav Republic of Macedonia – because the name of the new state was perceived by Greece as an encroachment on its eponymous territory. Macedonia has been seeking to join NATO since 1994 [Koloskov, 2013, p. 145] due to the Alliance's interest in stabilizing the situation in the Balkans and expanding its influence (for example, using Macedonian airspace [Ibid., p. 148]), and also due to Macedonia's desire to stabilize the situation after the events of 2001 [Ponomareva, 2010, p. 89]. In 2008, a series of actions Macedonia and NATO led to the plan to invite Macedonia to sign the joining agreement, but Greece stopped this process (although there are versions according to which the U.S. had an opportunity persuade Greece to concede [Nikovskij, 2016, p. 153] but empirically it is difficult to verify). NATO agreed that Macedonia would receive an invitation after resolving the dispute over its name. It was not until 2018, after numerous consultations, that the prime ministers of Macedonia and Greece concluded an agreement near Prespa Lake: Greece would withdraw its objections to Macedonia about its name provided that the Republic of Macedonia renamed itself as the Republic of North Macedonia. After this, Macedonia would be able to receive an invitation to join NATO and intensify negotiations with the EU [European Commission, n. d.].

Although resolution of the dispute over Macedonia's name was the main point of the agreement, it also satisfied other Greek requirements involving, for example, securing border inviolability and the renunciation of territorial claims. Furthermore, a number of points were devoted to symbolic policy: the content of Macedonian school textbooks would be put under the control of a bilateral commission, ancient monuments would be recognized as part of the Greek heritage, and Macedonia would refrain from using the symbols of Greek Macedonia [Hellenic Republic, 2018].

Although there were a number of concessions to Macedonia (its inhabitants are officially recognized in the agreement as Macedonians, and their language as Macedonian) the agreement became an occasion for confrontation within Macedonia. Its ratification not only required a majority of the assembly, but also the approval of the president – who refused to sign it. The presidential veto was overcome by a second vote of the assembly (70 out of 120 members of parliament (MPs)) due to its constitutional rights, and the agreement was ratified without a presidential signature [Assembly of the Republic of North Macedonia, 2018a].

The parliamentary majority decided to strengthen its position by holding a referendum on 30 September 2018. The results were controversial. On the one hand, almost every respondent voted in favour of the agreement with Greece, but on the other hand, the turnout was only 36.9% [Republic of Macedonia, 2018]. Thus, according to Macedonian laws, the referendum failed. A survey by the Macedonian Center for International Cooperation showed that a significant part of the citizenry was dissatisfied: respondents were asked to give their opinion on Macedonia's accession to the EU and NATO through the Greece-Macedonia agreement. The survey showed that 37.5% of respondents completely disagreed with such conditions for joining [Kržalovski, 2018, p. 18]. Despite large-scale protests, on 11 January 2019 the assembly adopted a decision to amend the constitution regarding the country's name in case of ratification of the agreement by Greece (81 MPs) [Assembly of the Republic of North Macedonia, 2019]. On 6 February the protocol on Macedonia's accession to NATO was signed [NATO, 2019a], and on 12 February, after ratification by Greece, the Prespa Agreement was implemented. The official accession of North Macedonia to NATO will take place after the ratification of the protocol by all members.

NATO and Greece: Second Level

The main condition for NATO's win-set formation is the absence of opposition to Macedonia's membership by existing members other than Greece. Thus, meeting Greece's demands is the main condition for Macedonia's successful accession to NATO.

The consent of all members is necessary to form a minimal win-set on the issue of new members due to the institutional design of NATO's decision-making process. In 1999, the criteria for states seeking to join were formulated to reduce the costs of forming a large win-set every time. However, in the present case the requirements of one of the members were stricter: Greece's minimum requirement was always that Macedonia must change its name; the range and severity of additional conditions depended on who controlled the Greek cabinet.

When the agreement was signed, the Coalition of the Radical Left (SYRIZA), with 144 out of 300 MPs, and the party of the Independent Greeks (ANEL), with 10 MPs, formed the

Greek cabinet. One of the points of ANEL's programme was "unconditional rejection of any negotiations on the name of Skopje. The name of Macedonia should not be assigned to anyone..." [Anexartitoi Ellines, 2013, p. 3]. Thus, there was an ideological gap which made it difficult to achieve a win-set for the ratification of the agreement despite the fact that two MPs from ANEL went against the party's will (given that the incumbent foreign and defence ministers represented this party).

The New Democracy party and the Panhellenic Socialist Movement (PASOK) which had formed the previous cabinets, as well as other parties, did not support the agreement with Macedonia mainly due to its recognition of the inhabitants of their northern neighbour as Macedonians and their language as Macedonian. According to them it could have negative economic and geopolitical consequences for Greece. As noted by an MP from PASOK, "the Prespa Agreement gives the Macedonian national identity to the country which has nothing in common with Macedonia. It commits a false 'ethnogenesis'" [Tzelepis, 2019]. The head of the New Democracy party similarly observed: "Who votes for [the agreement] opens the way for the supposedly 'Macedonian' identity and the language for the neighbours according to the Prespa Agreement. Those who vote 'Yes' approve of this humiliation of democracy" [Mitsotakis, 2019]. It is difficult to estimate how the points of view of the SYRIZA faction and the opposition were endogenous, given the fact the cabinets under the leadership of these parties showed both flexible and rigid positions (Table 1). For example, it would difficult to predict the behaviour of opposition parties if they formed the cabinet. It is not obvious how they would behave in the existing socio-economic conditions, which were largely dependent on the decisions of the international community, nor if their position would be so unambiguous during a period not leading up to elections. The Potami party was the only parliamentary opposition party that supported the agreement [Theodorakis, 2019]. But, as with ANEL, there was a split. Only five of 11 Potami MPs voted for ratification. As a result, the agreement was ratified by 153 votes (all of the MPs from SYRIZA, two from ANEL, five from Potami, and two from other factions) [Hellenic Parliament, 2019, pp. 3231–4].

In Greece, win-set formation primarily depended on the cabinet party's softness about Macedonia and whether the party's partners were willing to share its position. If they were not ready, the fate of the win-set would depend on the principal supporters of the agreement from the parliamentary opposition and their individual MPs, which is important in the context of the prospect for re-election. The deciding votes were given by ANEL and the Potami factions, which scored the win-set from Greece.

Table 1. Greek Foreign Policy With Regard to Macedonia

Period	Ruling Party	Greek Actions With Regard to Macedonia
1990–1993	New Democracy	The beginning of the conflict; the dispute over the name of Macedonia in the UN; a compromise decision on a temporary name
1993–2004	PASOK	The embargo on Macedonia; the preliminary agreement in New York
2004–2015	New Democracy	Freezing cooperation; blocking Macedonia's entry into NATO; joint consultations since 2012
Since 2015	SYRIZA + ANEL	Agreement at Prespa Lake

Source: Compiled by the authors based on data from the ministries of foreign affairs of North Macedonia [Republic of North Macedonia, n. d.] and Greece [Hellenic Parliament, n. d.; Hellenic Republic, n. d.].

Macedonia: Search for a Constitutional Majority

Because Macedonia is a parliamentary republic, parties can be considered second-level actors. In order for the Macedonian and NATO (Greek) win-sets to converge, a change of Macedonia's name and a number of concessions by Macedonia in the symbolic policy were necessary. This required amendments to the Macedonian constitution, which can be adopted by a two-thirds majority (80 out of 120 MPs). In order to test the assumption that the results of negotiations depend on the balance of political forces in the assembly, it is essential to determine what position the key political forces held, and what influence they had.

The first important condition of the negotiation's effectiveness was the control of the cabinet by a party ready to meet Greek demands; that is, the prime minister needed to be from the party in support of renaming the country for the sake of joining NATO. Otherwise even the initiation of agreements would have been impossible.

The attitude of two key political forces, the Internal Macedonian Revolutionary Organization (VMRO) and the Social Democratic Union of Macedonia (SDSM), regarding Macedonia's accession to NATO can be seen in their programmes.

Both parties agreed Macedonia should be a member of NATO. Thus, the SDSM assumed that "membership in NATO and the EU is our strategic responsibility" [SDSM, 2017, p. 11]. The VMRO had a similar position, stating that "the membership of the Republic of Macedonia in the European Union and NATO remains the main foreign policy goal of the VMRO-DPMNE and the strategic priority of the state" [VMRO-DPMNE, 2017, p. 294]. The commitment of both major parties to Euro-Atlantic integration was also evidenced by the fact that the third significant party, the Democratic Union for Integration, had been a member of the ruling coalitions of both parties since 2002 [Assembly of the Republic of North Macedonia, 2016]. Table 2 shows the agreements between Macedonia and NATO which were concluded during the time of both the VMRO and SDSM cabinets. The minimal win-set requirements of both sides should have coincided when Macedonia began to meet the membership criterion, all other things being equal.

Nevertheless, Greece's position modified this model, making it more difficult to form a win-set in Macedonia. Looking at the party programmes, we observe that the VMRO was not ready to make these concessions: "the VMRO-DPMNE will not agree to change the constitution in order to change the constitutional name of the Republic of Macedonia" [VMRO-DPMNE, 2017, p. 295]. While the VMRO devoted a sub-chapter of its political programme to the issue of the dispute with Greece, the SDSM mentioned this conflict only in one sentence: "it [the consensus in society] will be called upon to overcome the dispute imposed by Greece but will not accept any talk about identity issues. The citizens will be consulted about the possible solutions" [SDSM, 2017, p. 12]. The position of the SDSM was less unambiguous than the VMRO's requirements, possibly indicating that the SDSM was ready to make bigger concessions.

Indeed, the VMRO controlled the cabinet when the question of the country's name threatened NATO membership. This caused Macedonia's membership in NATO to be postponed for 10 years: the VMRO formed a coalition in the cabinet from 2006–16. Nevertheless, despite the fact that the Prespa Agreement was signed (June 2018) a year and a half after the SDSM came to power, the VMRO's inability to form the cabinet did not explain the formation of a win-set (80 votes out of 120 are needed).

The second win-set condition in Macedonia was that consistent opponents of the renaming could not have more than a third of the seats in the assembly (that is, fewer than 40 seats). There is proportional representation electoral system in Macedonia divided into districts, and it is possible to form party blocs before elections, with small parties joining coalitions of the two

Table 2. Correlation of the Possibilities Between Win-Set Formation in Macedonia and the Process of Joining NATO

Position	VMRO		SDSM		Results
	For NATO membership, against the name change		For NATO membership even at the cost of changing the country's name		
	Faction	Coalition	Faction	Coalition	
1990–94	38	–	31	Ruling (60)	–
1994–98	–	–	63	Ruling (87)	1995 – Partnership for Peace
1998–2002	49	Ruling (73)	28	–	1999 – the Membership Action Plan
2002–06	10	23	38	Ruling (62)	2002–14 – participation in NATO operations
2006–08	40	Ruling (63)	21	32	
2008–11	52	Ruling (63)	18	27	2008 – the failed invitation to join NATO
2011–14	47	Ruling (66)	29	42	2013 –NATO military instructors in Skopje
2014–16	51	Ruling (80)	24	34	–
2016–20	36	51	35	Ruling (62)	2018 – Prespa Agreement

Source: Compiled according to data from the Assembly of the Republic of North Macedonia [2016] and NATO [2019b].

largest parties. This allows large parties to get the votes of national minorities and local non-party leaders, while small parties and independents can get into the assembly without formal obligations to the rest of the coalition. Therefore, despite the fact that the VMRO coalition won 51 seats (almost 43%), members of the party that formed the electoral bloc had only 36 seats, less than one third. However, although the core members of the VMRO won fewer than 40 seats, the VMRO electoral bloc won more than 40.

This leads to the third condition for win-set formation – the readiness of VMRO's allies in the electoral bloc to support the agreement. The SDSM managed to get 81 votes: seven independent MPs from the VMRO coalition, as well as one each from the Socialist party, the Civil Option party, and the Roma, Turkish, and Bosnian parties voted for the amendments. All non-aligned parties, including three Albanian parties, also unanimously voted for the amendments [Assembly of the Republic of North Macedonia, 2019].

The described behaviour of MPs toward their coalitions is not unique in the Macedonian assembly. Table 3 demonstrates how MPs voted on the issue of ratification of the agreement (which required a simple majority), on the issue of amendments (which required a two-thirds majority), and on the adoption of a law that would make Albanian a second official language, taking into account the partisanship and attitude to the electoral blocs. The example of the languages law reflects MPs' low degree of loyalty to their blocs and sometimes to their parties – this is typical not only of the voting on the current issue in which the ruling coalition could use informal mechanisms of influence. This example shows that representatives of both blocs may vote against the will of the corresponding bloc majority (or abstain from voting), and that this pattern is not exclusive to the assembly.

Although informal mechanisms for attracting MPs by the cabinet's party may have taken place, the low degree of the MPs' loyalty to electoral blocs also played a role in a win-set formation and made it easier for the ruling party. It is likely that these mechanisms were aimed at independent deputies from the VMRO bloc, including representatives of national minorities who had previously demonstrated their disloyalty to the bloc.

Thus, the reason for the win-set formation was not only that the VMRO had lost control of the cabinet. A key factor was that this party did not win enough seats to prevent the change in the constitution. In this case, the win-set formation depended mainly on independent MPs and representatives of national minorities from the VMRO electoral bloc.

Summary

This analysis demonstrates that several circumstances made it possible for Macedonia to join NATO at this moment in particular. The multi-level game concept reveals the role of political parties in both countries in regard to this issue. In Greece, SYRIZA took the softest position among the major parties, alienating its coalition allies while attracting principled supporters of the agreement with Macedonia.

Table 3. Votes by Macedonian MPs on the Status of the Albanian Language, the Ratification of Agreements With Greece, and the Name of the Country

Bloc	Party	The Law on the Use of Languages (14 March 2018)			The Ratification of the Prespa Agreement (5 July 2018)		The Third Reading on the Constitutional Amendments on the Name of the Country (11 January 2019)	
		Agree	Not voted	Absent	Agree	Absent	Agree	Absent
VMRO	VMRO		34	2		36		36
	Socialist		2	1		3	**1**	2
	Democratic Party of Serbs		1			1		1
	Association of the Bosnian Cultural Union			1		1	**1**	
	Civil Option		1			1	**1**	
	Democratic Party	1			1		**1**	
	Roma Alliance	1			1		**1**	
	Independent	1	1	5	1	6	**7**	
SDSM	SDSM and others	44	5		49		49	
Democratic Union for Integration		10			10		10	
Besa Movement		4	1		4	1	5	
Alliance for Albanians		2	1		2	1	3	
Democratic party of Albanians		1		1	2		2	

Source: [Assembly of the Republic of North Macedonia, 2018a; 2018b; 2019].

In Macedonia, key political forces considered joining NATO to be justified. The nationalist VMRO party declared that renaming the country for this purpose was unacceptable while the Social Democrats considered that this would be a justifiable sacrifice. The VMRO formed the cabinet until 2017, so there was no question of renaming the country before then. However, after the elections in 2016 the coalition created by the SDSM formed a cabinet that made it possible to conclude the agreement with Greece on the least-stringent terms, and to ratify it. But the required two-thirds majority in the assembly to change the country's name could only be won due to the low degree of loyalty shown by MPs to pre-election coalitions and, probably, informal mechanisms of influence on opposition MPs.

Thus, in order for Macedonia to join NATO it was necessary that supporters of the least-stringent conditions should control the Greek cabinet and, in the case of a defection of allies, that they could rely on those who would have voted for the agreement anyway. In Macedonia, it was necessary that opponents of renaming the country (the VMRO) were not able to form the cabinet and won less than a third of the seats in the assembly, even if their electoral bloc won more. The last and decisive condition was the readiness of a sufficient number of nationalist coalition allies, mostly non-party ones, to cooperate with the Social Democrats. This readiness was probably due to the low degree of loyalty to the electoral blocs and parties on the part of MPs, and informal mechanisms of influence on them by the ruling coalition.

Because this article deals with three levels of win-set formation we believe it can help expand the space for modification of the multi-level game concept. In particular, the study demonstrates that actors at different levels can interact with each other directly to form a win-set, ignoring higher levels (in the end, Macedonia negotiated with Greece in order to conclude a treaty with NATO). This article can help to shed light on the interaction between actors at different levels, for example, between a state on the one hand and an international organization on the other

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