THE BRICS NEW DEVELOPMENT BANK: A PARADIGM SHIFT IN WORLD GOVERNANCE?

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ABSTRACT

In July 2014, the “BRICS” countries (Brazil, Russia, India, China, and South Africa) announced the launch of the New Development Bank (NDB). The launch is the culmination of discussion and cooperation that began within the context of the 2009 global financial meltdown and the BRICS’ ongoing efforts to achieve reforms to international financial institutions. This paper argues that the launch of the NDB must be understood as a paradigm shift in global governance. Through growing collaboration, shared frustration with the pace of reform, and shared recognition of insufficient infrastructure funding for developing countries, the BRICS have seized the opportunity to establish an alternative global financial governance structure.
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Introduction

The transformation of the BRICs acronym from an investment term into a household name in international politics is one of the most important developments in international politics in the past decade.¹

On July 15, 2014, the BRICS countries (Brazil, Russia, India, China and South Africa) announced the establishment of the New Development Bank (NDB). The NDB was launched with contributions totaling $100 billion from the partner countries and a reserve currency pool of over $100 billion. Depending on the point of view, the NDB is either a pointed challenge to the “western hegemony” of the World Bank, International Monetary Fund (IMF) and the World Trade Organization or the logical next step in globalization whereby emerging economies play a greater role in supporting developing economies. The BRICS themselves describe the NDB as “...a development institution that was created...to mobilize resources for infrastructure and sustainable development projects.”²

Through an exploration of the conditions and factors (economic, political, and historical) that combined to create an environment where the BRICS chose to establish a development bank to undertake the same work as existing international financial institutions, this paper contends that the NDB should be viewed as a paradigm shift in global governance. This research was approached as a single case study, with the July 2009 first official meeting of BRICs³ leaders at the G8 Summit in Japan as the start date and the July 2014 announcement establishing the NDB as the end date. As access to BRICS leaders, government members, and their political staff to explore their mindset leading to the NDB was not possible, discourse analysis was utilized to examine the joint statements/declarations released at the end of each BRICS’s summit. These documents provide insight into this decision. Political texts are particularly well-suited for discourse analysis as leaders’ communications staff spend considerable time negotiating content and choosing language with specific intent. In addition to the declarations, a representative sample of writings from BRICS countries was examined. These offered insight into the BRICS’ perspectives on anticipated benefits/outcomes from the creation of the NDB.

Background

In 2001, Goldman Sachs’ economist Jim O’Neill wrote an article entitled “Building Better Global Economic BRICs.” O’Neill provided the first reference to “BRICs” – Brazil, Russia, India and China – an acronym that caught the financial and academic worlds’ attention. The article explored which of the BRICs should be included in the (at the time) G7: “Looking at each of Brazil, Russia, India and China, the case for the inclusion of China is overwhelming. The case for the other three is less clear-cut, but...the case for the inclusion of all three is at least as strong as Canada, and in some ways, as strong as Italy.”⁴

³ Brazil, Russia, India and China. South Africa joined in 2011 and the acronym became “BRICS.”
His argument that the BRICs are a group capable of driving global change changed the tone of discussion in subsequent years.

Virtually every writer encountered during the literature review referenced O’Neill’s article, typically describing the article as a pivotal moment in how economists, political scientists, historians, and so forth, perceived the BRICs and their potential impact on global economic and political systems and institutions. A mass migration occurred, from viewing the BRICs as distinct entities to a homogenous group wielding sizable political and economic power. The BRICS countries are “home to 46% of the world’s population” and their combined economies represent 18% of the global GDP.5

Many writers identify the 2008 financial crisis as the “lever” that increased the BRICs’ participation on the global stage. The BRICs countries weathered the crisis more effectively than the G7. As Stuenkel describes, “The results were palpable: prior to the Group of 20 (G20) summit in London in April 2009, the BRIC countries were able to act as agenda setters and considerably influence the final G20 declaration—all by making use of the BRIC grouping, a vehicle that had, in its political dimension, barely existed before the crisis.”6 Gray and Murphy argue that by 2009, "...the ‘BRIC’ acronym ceased to be simply a convenient category indicating countries with the greatest investment potential, and became a political reality as Brazil, Russia, India and China (and from 2010 South Africa) sought to forge close political ties.”7 Key events in the BRICS emergence and the launch of the NDB are summarized below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Attendees</th>
<th>Location</th>
<th>Key Statements/Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2006</td>
<td>BRICs foreign ministers</td>
<td>61st UN General Assembly New York, U.S.A.</td>
<td>First meeting of BRICs’ representatives as the “BRIC group”</td>
</tr>
<tr>
<td>July 2008</td>
<td>BRICs leaders</td>
<td>G8 Summit, Japan</td>
<td>Agreement to hold a full-scale summit the following year</td>
</tr>
<tr>
<td>June 2009</td>
<td>First BRICs leaders' summit</td>
<td>Yekaterinburg, Russia</td>
<td>&quot;...emerging and developing economies must have greater voice and representation in international financial institutions.&quot; (Joint Statement of BRIC Countries' Leaders 2009)8</td>
</tr>
<tr>
<td>April 2010</td>
<td>Second BRICs summit</td>
<td>Brasilia, Brazil</td>
<td>Beginning of intra-BRICs cooperation to strengthen ties at different levels, e.g., business and union representatives and think tanks</td>
</tr>
<tr>
<td>March 2011</td>
<td>Third BRICs summit</td>
<td>Sanya, China</td>
<td>South Africa participates as a guest; officially joins December 2011; acronym became BRICS</td>
</tr>
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8 Stuenkel (2014), 93.
March 2012  Fourth BRICS summit  New Delhi, India  Declare intention to study the viability of a BRICS Development Bank; first step toward institutionalizing the BRICS group.

March 2013  Fifth BRICS summit  Durban, South Africa  Agree to create the New Development Bank.

July 2014  Sixth BRICS summit  Fortaleza, Brazil  Sign the Agreement establishing the New Development Bank.

Literature Review

Taking O’Neill’s article as a milestone, a review of literature from 2001 to early 2016 was undertaken. From this review, three categories of discussion emerged:

1. BRICS composition and their cohesiveness as a group from economic and/or political perspectives.
2. International financial institutions, their history and governance models, and their ability to remain relevant in the world’s economy.
3. The BRICS/NDB’s potential impact on global governance.

Despite the BRICS openly discussing launching a development bank since the 2012 summit in New Delhi, few writings regarding the likelihood of the NDB achieving its goals have appeared.

The BRICS as a Collective

Groups such as the G8 share a set of definable characteristics. Early writings on the BRICS included extensive debate as to whether it ought to be BRICs, BRIC-T (Turkey), or BRICS. With South Africa joining in 2011 and the BRICS commitment to the NDB, the debate is over. The discussion, however, serves to demonstrate the uncertainty about shared characteristics and whether it should even be considered a “group” like the G8. James provides a concise description of three key differences:

- Political systems – Russia and China’s systems are significantly different from the democracies of South Africa, India, and Brazil.
- Demographics – Russia’s population is declining, “aging and sickening;” China and India need to integrate their poor and poorly-educated “underclass.”
- Financial systems – China’s and Russia’s financial systems “lack transparency;” Brazil’s and India’s are financially underdeveloped.

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9 Stuenkel (2014), 96.
10 Stuenkel (2014), 96.
Králiková provides a good example of recent thought. In her article, “BRICS: Can a Marriage of Convenience Last?” she describes the NDB as “the real game changer” yet carries on again to discuss the BRICS’ similarities and differences. Králiková concludes that what the BRICS truly have in common are significant problems: social inequality, unemployment, corruption and environmental concerns.

Petropoulos, on the other hand, concludes that despite significant differences in the BRICS’ economies, there are enough similarities in their political and economic spheres to “provide an acceptable level of common interests” and that they “share a common goal.” In terms of perceived power on the international stage, for example, each of the five countries is a leader within its respective region. He anticipates “…major changes in world politics, the most significant of which likely being the increase of power from emerging nations such as China” and increased recognition that solutions to global problems require global cooperation. Petropoulos believes that the BRICS “…perceive themselves as existing outside the current global governance structure to more or less the same extent and have, on many occasions, confronted the representatives of the old power (the West, in general, and the US, in particular)” and suggests this makes them uniquely capable of leading transformation. He is one of the few to describe tangible changes achieved by the BRICS, such as participation in discussions aimed at addressing the 2008 financial crisis.

The descriptions may be accurate, but with the launch of the NDB, miss the mark. It is irrelevant whether the BRICS are judged as similar enough to be a group. The BRICS are moving forward in a joint endeavour with collective goals and strategies. Continuing the similar/different debate fails to acknowledge that the BRICS see themselves as a group. Lingxiao, et.al., make this point well, “The BRICS countries are banding together in an attempt to rely on their own strength: using their own global financial resources, they are creating a cohesive nucleus to counteract the functional deficiencies in existing international financial institutions and are showing a proactive attitude to participating in and reshaping the New International Economic Order…”

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13 Ibid, 248.
15 Ibid. 40.
The Bretton Woods Institutions: Change From Within?

“...the global governance does not reflect these new economic realities. And this new institution [the NDB] is not going to change everything, I mean, clearly. It’s just a little bit of movement, but it’s a movement in the right direction, reflecting the new economic and political realities and reflecting the learning that we’ve done in the last 70 years.”

Wolff provides a history of the Bretton Woods Institutions from their creation in 1944. He describes past and current goals, voting structure, and development models. Wolff notes, “Despite the desire of many countries to institute purely economic criteria in determining how votes would be distributed, the votes were allocated based on the relative economic importance of member-states to the international economy.” Understanding how these institutions came to be and their evolution is critical if one wishes to understand the BRICS. Ultimately, Wolff concludes the Bretton Woods Institutions “...due to their lending policies and governing structures, have restrained true global development. The Bretton Woods Institutions have served as impediments to authentic development and these institutions are in need of fundamental reform...” However, he is clearly not optimistic that substantive change from within is possible: “…massive changes...are still unlikely” as Wolff’s assessment is that their policies continue to emanate from “ideals, positions and interests of developed countries.”

Roukanas and Diamantis approach the BRICS from the perspective of ability and potential to create change from within the Bretton Woods Institutions. To support their argument, they provide an analysis of economic data that illustrate growth and change of position relative to developed countries’ economies. Roukanas and Diamantis believe that the BRICS are already playing a much greater role in the IMF, however the increase in influence does not match their increased contributions to the world economy. Their description of the current state of the World Bank voting processes provides a pronounced example – the BRICS are represented by a 10% voting share, however their 2010 contribution to the global GDP was 24.3%. The discussion focuses on the BRICS creating change from within and proposes that change is happening due to their influence but at a much slower pace than their economic growth.

Fon Hilmarsson argues the need for change in the Bretton Woods Institutions from the perspective of economic conditions at their creation compared to current conditions and states, “It is safe to say that

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19 Ibid. 76.
20 Ibid. 143.
22 Ibid. 65.
those two pillars of the postwar economic order were created under circumstances vastly different from the world we live in today and the original vision under which these institutions were established is outdated." He suggests the solution is to transfer more power from the G7 to the BRICS and to revamp the Bretton Woods Institutions to increase participation in decision making processes, as opposed to creating entirely new institutions. His argument suggests an underlying belief that the BRICS currently possess enough “power” to effect substantial change within the Bretton Woods Institutions.

Potential and Capacity of BRICS’ Influence

“Perhaps competition from the NDB can pressure the Bretton Woods twins to reduce voting share discrepancies and soften conditionality, two changes that are long overdue.”

Gray and Murphy place the rise of BRICS within the context of the 2008 financial crisis suggesting it “...opened up space for rising powers of the global South to play an increasingly active role in the reform of global economic and political governance, to the extent that a ‘regime change’ in global governance is now at least a distinct possibility.” They view the plan to create the NDB as a strategy to gain a greater voice and impact in the institutions of economic governance. Stuenkel (2014) too positions his discussion with the 2008 financial crisis. He provides an overview of the BRICS’s activities – the initial meetings of the BRIC leaders and then finance ministers, leading to the agreement to hold a full scale summit in 2009. Item three in the first summit’s Joint Statement reads: “...emerging and developing economies must have greater voice and representation in international financial institutions.”

However, unlike others, Stuenkel focuses his discussion on the broader goals of the BRICS, beyond promoting change within the Bretton Woods Institutions, to grand change to global governance and the political power balance. He suggests that part of the intent the language in the joint statement is to make the transition of power from Europe and the United States toward emerging powers inevitable and to create a new world order less dependent on the United States.

Papa (2014), Stuenkel (also 2013), and Epstein (2014) are three of the few authors attempting to transition the discussion to focus on the BRICS’ potential role and impact. Papa explores the phenomenon from the point of view of the US “response” to the BRICS. Her research indicates that the American political and academic spheres persist in viewing the BRICS purely from an economic perspective. While she does not say as such, her article can be read as a warning to America that more attention ought to be paid to the BRICS or the U.S. may find itself on the outside of significant change. Epstein examines the options available to the BRICS, noting that even if their voting shares in the World

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25 Gray & Murphy. 184.
26 Ibid.
27 Stuenkel (2014), 93.
28 Ibid. 94.
Bank and the IMF were increased, “the continued existence of sole veto power for the United States would limit the utility of this investment. Instead, the BRICS have decided to pursue influence through the NDB.”

Shen examines economics and international relations aspects from the Chinese (and the BRICS' somewhat) perspective. He believes the BRICS have been unsuccessful in change from within and should collectively focus on launching the NDB as the one viable option for developing countries. Observations such as the NDB “...is the inevitable consequence of the decaying legality of the international order that was set up predominantly by Western Countries” illustrate his perspective. Shen argues the Bretton Woods Institutions do not meet developing countries’ needs due to lack of funding for infrastructure projects and the economic and political conditions that are frequently imposed. Zuma too, addresses the necessity of transformational change: “The outdated ‘zero-sum game’ paradigm framed in adversarial terms is being recast through progressive groupings such as the BRICS as an opportunity to strengthen collective global responsibility and achieve developmental gains for developing countries, and obviously from our perspective, Africa in particular.” These two authors are representative of the BRICS voice: the world is changing and all countries, in particular those acknowledged as world leaders, would be well-served to recognize and participate in the changes.

The BRICS' Leaders’ Mindset: Joint Statements, Declarations and Action Plans

Each BRICS summit provided a concluding statement or declaration. These documents summarize shared concerns, offer appreciation, and provide common goals for areas the BRICS wish to address or see addressed. For this discussion, relevant declaration items are those that speak to (1) desired reforms to international financial institutions, (2) the capacity and availability of existing development funding, and (3) the BRICS’ plans for cooperation. These themes encompass key economic, political, and historical conditions and factors that combined to create an environment where BRICS countries would choose to establish a development bank to undertake the same work as existing

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29 Epstein, 13.
31 Ibid.
institutions. The 2008 financial crisis\textsuperscript{33} provided an opportune moment where the BRICS perceived their own value to the global economy and governance and an unexpected opportunity to influence or even alter the global power structure. Within that historical context, the three themes coalesced into the foundation for the NDB. The following sections trace the evolution of the themes from their first inclusions in a declaration to announcements of actions intended to address the theme.

\textbf{Reform of International Financial Institutions}

This theme speaks to the BRICS’ ongoing frustration with the lack of proportional representation in international financial institutions and the lack of progress on reforms intended to rectify the issue. The Bretton Woods Institutions’ voting structure was conceived during World War Two and reflected members’ contributions to the global GDP at that time. Minor adjustments have been made, however the BRICS are not alone in their discontent with the status quo. Item three in the first (2009) summit’s joint statement speaks to the BRICS’ desire for greater representation of emerging market and developing countries. Perhaps because this was the first declaration, the tone is positive: “We are committed to advance the reform...so as to reflect changes in the world economy.”\textsuperscript{34} The second summit’s joint statement sees a change in nuance: Item eleven begins, “We will strive to achieve an ambitious conclusion to the ongoing and long overdue reforms of the Bretton Woods institutions. The IMF and the World Bank urgently need to address their legitimacy deficits.”\textsuperscript{35} The item concludes with a warning, “The international community must deliver a result worthy of the expectations we all share for these institutions within the agreed timeframe or run the risk of seeing them fade into obsolescence.”\textsuperscript{36} The message reflects willingness to work toward reform, while the “international community” – which likely means the United States primarily as well as the rest of the G7 – frustrates the process.

By the third summit (2011), the relevant declaration item (number 11) is brief and terse, appealing for “a quick achievement of the targets... agreed to at previous G20 Summits...”\textsuperscript{37} In other words, discussion is no longer necessary as the changes have been agreed to and simply must be enacted. Summit four (2012) sees the introduction of negative descriptors in the declaration item (number nine), such as “the slow pace” and “urgent need.”\textsuperscript{38} In addition, the IMF is no longer in danger of obsolescence, rather has already lost credibility: “We will work with the international community to ensure that sufficient

\textsuperscript{33} It is important to note that the first two summits (2009 and 2010) occurred as the global financial crisis unfolded. As Stuenkel and others rightly observed, the crisis provided an opportunity for the BRICS to play a greater role internationally. The early statements must be understood within that context.


\textsuperscript{36} Ibid.


resources can be mobilized to the IMF in a timely manner as the Fund continues its transition to improve governance and legitimacy.\textsuperscript{39}

The fifth summit (2013) provides the following analysis and commitment:

> “The prevailing global governance architecture is regulated by institutions which were conceived in circumstances when the international landscape in all its aspects was characterised by very different challenges and opportunities. As the global economy is being reshaped, we are committed to exploring new models and approaches towards more equitable development and inclusive global growth...”\textsuperscript{40}

Item 13 notes the BRICS “remain concerned with the slow pace of the reform of the IMF”\textsuperscript{41} and continue to “see an urgent need to implement, as agreed, the 2010 International Monetary Fund (IMF) Governance and Quota Reform.” The item includes the phrase “with an open mind” in reference to identification and examination of all options to reform the IMF. Given the negotiations and likely many drafts of the declaration, the phrase likely was intended to “prod” countries perceived as roadblocks to the reforms. By the sixth summit (2014), the item appears eighteenth in the declaration and comprises one blunt sentence: “We remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF’s legitimacy, credibility and effectiveness.”\textsuperscript{42,43} Item eleven in the same declaration announces the “…signing of the Agreement establishing the New Development Bank.” Fourcade’s observation, “What united these countries [the BRICS] symbolically, what made them look like a coherent, meaningful – if completely ad-hoc – group, was also a communality of exclusion: there seemed to be no place for them in the ideological frameworks and governance structures of the world economy”\textsuperscript{44} is particularly apt. If there is no place for the BRICS in existing international financial institutions, then a solution is to create a structure of their own.

**Capacity and Availability of Development Funding**

The second theme, development funding, is addressed in the 2009 joint statement within the context of the impact of the global financial crisis on the “poorest countries,” stating, for example, “The

\textsuperscript{39} Ibid (emphasis added).


\textsuperscript{41} Ibid.


international community should also strive to minimize the impact of the crisis on development and
ensure the achievement of the Millennium Development Goals.” (MDGs)

The 2010 joint statement includes several items related to development funding, such as item nine which calls for an increase in
development capital and “robust, flexible and agile client-driven support for developing economies from
multilateral development banks.” Item 16 states that “commitments regarding the aid to the
developing states, especially those related to the MDGs, should be fulfilled, and there should be no
reduction in development assistance.” The 2010 joint statement also includes a key policy element: “An
inclusive process of growth for the world economy is not only a matter of solidarity but also an issue of
strategic importance for global political and economic stability.” This sentence can be read as a frank
assessment of future global economic growth and opportunity: stability and growth will only happen if
there is real change and true cooperation.

The 2011 declaration does not include items specific to development funding. Rather, development as a
topic appears within a number of items. For example, item 17 calls on the “international
community...to...increase support to the developing countries in terms of funding and technologies” and item 23 speaks to BRICS’ cooperation regarding sustainable development to “…achieve positive and
practical results in areas of economic growth, social development and environmental protection under
the framework of sustainable development.” The fourth summit’s declaration (2012) sees a change in
tone with regards to development funding: “we recognise that there is a pressing need for enhancing
the flow of development finance to emerging and developing countries.” This declaration also
includes the first reference to the possibility of the NDB. Item 13 states:

“We have considered the possibility of setting up a new Development Bank for mobilizing
resources for infrastructure and sustainable development projects in BRICS and other
emerging economies and developing countries, to supplement the existing efforts of
multilateral and regional financial institutions for global growth and development. We
direct our Finance Ministers to examine the feasibility and viability of such an initiative, set
up a joint working group for further study, and report back to us by the next Summit.”

While the key content of this item is certainly the move toward establishing the NDB, it is also
noteworthy relative to development funding as it continues the message that existing development
funding/institutions are insufficient. Item nine in the 2013 declaration provides a blunt assessment of
development capacity, stating, “Developing countries face challenges of infrastructure development due
to insufficient long-term financing and foreign direct investment, especially investment in capital

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45 “First Summit: Joint Statement of the BRIC Countries Leaders.”
46 “Second Summit: Joint Statement.”
47 Ibid.
48 “Third Summit: Sanya Declaration and Action Plan.”
49 Ibid.
50 “Fourth Summit: Delhi Declaration and Action Plan.”
51 Ibid.
stock.” This item carries on to provide the results of the Finance Ministers’ feasibility study: “...we are satisfied that the establishment of a New Development Bank is feasible and viable. We have agreed to establish the New Development Bank. The initial contribution to the Bank should be substantial and sufficient for the Bank to be effective in financing infrastructure.”

Item 11 in the 2014 declaration, which announces the signing of agreement to establish the NDB, begins “BRICS, as well as other EMDCs, continue to face significant financing constraints to address infrastructure gaps and sustainable development needs. With this in mind, we are pleased to announce the signing of the Agreement establishing the New Development Bank (NDB), with the purpose of mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies.” With that, the BRICS consolidate their position that access to development funding is critical and existing capacity/institutions are insufficient. The BRICS are no longer willing to wait for the G7 or international financial institutions to change to meet the current situation; instead they will fill the gap themselves.

**BRICS’ Cooperation**

The final theme, cooperation among the BRICS, evolves with each summit and as joint work is undertaken. In 2009, the BRICS are beginning to coalesce and to test their capacity for influence. Item 15 illustrates initial efforts: “We have agreed upon steps to promote dialogue and cooperation among our countries in an incremental, proactive, pragmatic, open and transparent way...dialogue and cooperation...is conducive not only to serving common interests of emerging market economies and developing countries, but also to building a harmonious world of lasting peace and common prosperity.” The second summit’s (2010) statement describes benefits of cooperation and next steps to “promote dialogue and cooperation among our countries in an incremental, proactive, pragmatic, open and transparent way.” This statement also includes a list of initiatives “aimed at strengthening cooperation” including ongoing meetings of Ministers of Finance and Governors of Central Banks.

The third summit’s declaration (2011) sees a shift from what is hoped for to what is occurring. Item six states, “In the economic, financial and development fields, BRICS serves as a major platform for dialogue and cooperation.” This item commits the BRICS to “continue strengthening the BRICS partnership for common development and advance BRICS cooperation in a gradual and pragmatic manner.” This declaration also includes a list of collaborative initiatives including strengthening financial cooperation among the BRICS Development Banks. Interestingly, this item also states that, “We reiterate that such cooperation is inclusive and non-confrontational. We are open to increasing engagement and

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52 “Fifth Summit: eThekwini Declaration and Action Plan.”
55 “First Summit: Joint Statement of the BRIC Countries Leaders.”
56 “Second Summit: Joint Statement.”
58 “Third Summit: Sanya Declaration and Action Plan.”
cooperation with non-BRICS countries, in particular emerging and developing countries, and relevant international and regional organizations.”

The opening item of the fourth summit’s (2012) declaration articulates the BRICS’ sense of “group” and the benefits perceived/received from the relationship:

“We, the leaders of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People’s Republic of China and the Republic of South Africa, met in New Delhi, India, on 29 March 2012 at the Fourth BRICS Summit. Our discussions, under the overarching theme, "BRICS Partnership for Global Stability, Security and Prosperity", were conducted in an atmosphere of cordiality and warmth and inspired by a shared desire to further strengthen our partnership for common development and take our cooperation forward on the basis of openness, solidarity, mutual understanding and trust.”

This item ought to have put to rest any remaining uncertainty about the BRICS’ cohesiveness. The summit’s theme alone makes clear the group’s self-perception and future intentions. Should this still be considered insufficient to accept that the BRICS see themselves as a “force to be reckoned with,” item two in the fifth summit’s (2013) declaration provides indisputable evidence: “We aim at progressively developing BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics.” Finally, in the sixth summit’s declaration (2014), the tone shifts from “we could” to “we are.” Item two states, “...our coordination is well established in various multilateral and plurilateral initiatives and intra-BRICS cooperation is expanding to encompass new areas. Our shared views and commitment to international law and to multilateralism...are widely recognized and constitute a major contribution to global peace, economic stability, social inclusion, equality, sustainable development and mutually beneficial cooperation with all countries.”

As discussed in the literature review, while opinions differ as to whether the BRICS are a cohesive group, this debate is largely moot. Even the recent economic and political sanctions against Russia seem to have had little impact on BRICS cooperation and future plans. The first set of sanctions were announced in March 2014. The sixth summit took place in July 2014 under the theme of “Inclusive Growth: Sustainable Solutions.” Item four in the declaration states: “we pledge to deepen our partnership with a renewed vision, based on openness, inclusiveness and mutually beneficial cooperation.” Item 20 commits the BRICS to “raise our economic cooperation to a qualitatively new level.” The only item that does not reinforce the image of cooperation is item 27. Read within the context of the situation in Ukraine, the item results in more questions than answers:

60 Ibid.
61 “Fourth Summit: Delhi Declaration and Action Plan.”
63 “Sixth Summit: Fortaleza Declaration and Action Plan.”
65 “Sixth Summit: Fortaleza Declaration and Action Plan.”
66 Ibid.
“We will continue our joint efforts in coordinating positions and acting on shared interests on global peace and security issues for the common well-being of humanity. We stress our commitment to the sustainable and peaceful settlement of disputes, according to the principles and purposes of the UN Charter. We condemn unilateral military interventions and economic sanctions in violation of international law and universally recognized norms of international relations. Bearing this in mind, we emphasize the unique importance of the indivisible nature of security, and that no State should strengthen its security at the expense of the security of others.”

Is Russian military intervention in Ukraine being condemned? Are the American, European Union, and others’ sanctions the target? Or both? Only participants in the negotiation and writing of this item know for certain. Item 44 offers the only specific discussion of Ukraine: “We express our deep concern with the situation in Ukraine. We call for a comprehensive dialogue, the de-escalation of the conflict and restraint from all the actors involved, with a view to finding a peaceful political solution, in full compliance with the UN Charter and universally recognized human rights and fundamental freedoms.”

It would be easy to read item 44 as pressure from Brazil, India, South Africa, and China; however, it simply doesn’t offer sufficient information to warrant any conclusion. Including the item in the declaration reveals only that the Ukraine situation could not be ignored.

While the seventh summit (2015) is beyond the scope of this case study, it is noteworthy that the declaration’s opening item clearly states the intention to continue to cooperate. The summit was “held under the theme ‘BRICS Partnership – a Powerful Factor of Global Development’.” This item states,

“We discussed issues of common interest in respect of the international agenda as well as key priorities in respect of further strengthening and broadening our intra-BRICS cooperation. We emphasized the importance to strengthen BRICS solidarity and cooperation, and decided to further enhance our strategic partnership on the basis of principles of openness, solidarity, equality and mutual understanding, inclusiveness and mutually beneficial cooperation.”

Of the three themes explored above, the first two, desired reforms to International financial institutions and the capacity and availability of existing development funding, are the building blocks upon which BRICS’ cooperation is built. The NDB would not exist without the snail’s pace of international financial institution reform or the difficulty emerging market and developing countries face accessing development funding. As the BRICS’ economies grew, and then weathered the global financial crisis, it became clear that a significant opportunity existed. Through an odd coincidence of fate – O’Neill’s

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67 Ibid.
68 Ibid.
70 Ibid. Emphasis added.
article and the subsequent discussion—these countries looked to each other and wondered at the potential for cooperation. Starting small, with a meeting of finance ministers in 2006, the BRICS have grown into an international presence in a decade. Cooperation began and then grew with success. As the cliché goes, success breeds success. IMF reforms were finally implemented in January 2016 and numerous collaborative initiatives are underway under the BRICS banner.

**The BRICS’ View of a “Harmonious World”**

It is worthwhile to take a moment to consider the BRICS’ vision of a better world and how that vision might be achieved. As noted earlier, item 15 in the first summit’s joint statement ascribes the following benefit to BRICS’ collaboration: “...The dialogue and cooperation of the BRIC countries is conducive... to building a *harmonious world of lasting peace and common prosperity*.” Tangible direction as to how the BRICS plan to achieve that goal, however, is not provided. The statement references food security, energy efficiency, and sustainable development, but only in high-level terms. The second (2010) summit’s statement includes item 18, a “call upon the international community to make all the necessary efforts to fight poverty, social exclusion and inequality...[to achieve] sustainable social development, with social protection, full employment, and decent work policies and programmes,” but no concrete actions are included. This pattern is repeated in the remaining declarations.

Both the third and fourth summit’s declarations contain items regarding the importance of “Accelerating growth and sustainable development,” and “eradicating poverty, combating hunger.” The fourth summit’s declaration includes one of the few sentences that could read as a strategy: “Creating jobs needed to improve people’s living standards worldwide is critical...” Actions to create jobs are not included. The fifth summit’s (2013) declaration repeats language from the first (2009) joint statement: “We are committed to building a *harmonious world of lasting peace and common prosperity*...” Once again, specific targets or objectives are not provided. Finally, the sixth summit’s declaration sees an interesting shift. Item 6 reads as taking credit for improvements: “The BRICS continue to contribute significantly to global growth and to the reduction of poverty in our own and other countries. Our economic growth and social inclusion policies have helped to stabilize global economy, to foster the creation of jobs, to reduce poverty, and to combat inequality...” The details as to how these progressive elements are or was accomplished are not included.

Unlike the three themes leading to the launch of the NDB, “achieving a harmonious world” does not develop over subsequent declarations. Over six years, frustration with the lack of progress in reforming international financial institutions grows, the sense of urgency regarding the need for development

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71 It would be interesting to see if there is any research exploring whether the BRICS would likely have become a group, had O’Neill and then others not begun the discussion.
72 “First Summit: Joint Statement of the BRIC Countries Leaders,” (emphasis added).
73 “Second Summit: Joint Statement.”
74 “Fourth Summit: Delhi Declaration and Action Plan.”
76 “Fifth Summit: eThekwini Declaration and Action Plan” (emphasis added).
77 “Sixth Summit: Fortaleza Declaration and Action Plan.”
funding increases, and cooperation among the BRICS solidifies and deepens. Core issues such as food security or equality remain a constant presence in declarations, but only as broad concerns and overarching goals. Tangible actions are not identified.

**A New Development Bank**

An organization with the same purpose as the International financial institutions but with a new approach to development funding and non-Western countries at the helm is now a reality. The NDB intends to be an inclusive development bank. Its leadership composition and location, for example, demonstrate this: “The first chair of the Board of Governors shall be from Russia. The first chair of the Board of Directors shall be from Brazil. The first President of the Bank shall be from India. The headquarters of the Bank shall be located in Shanghai.”

The BRICS also intend the NDB to change how development funding is managed and perceived. Petropoulos explains that “If aid from China and other emerging powers can be understood to be an attractive alternative to the aid provided by the US, it would decrease the long-term ability of the Western world to enforce unwanted economic conditions and reforms and would strengthen the relative influence of emerging powers such as China and Brazil.”

Shen observes that the NDB’s launch allows developing countries to focus on infrastructure projects: "...the World Bank is unable to give assistance thoroughly. Besides, the economic and political conditions imposed are hard to accept as most applicant countries have learned hard lessons."

Those “hard lessons” are explained by Wolff who describes the economic paradigm guiding the western approach to providing funds to developing countries, the Washington Consensus. This is the consensus between the IMF, the World Bank, and the U.S. Treasury about the right policies for developing countries: “The discord between loan conditionality and development objectives is rooted in the IMF and World Bank’s governance structure permitting dominant shareholders to utilize conditionality as a means of furthering their own global economic and political agendas.”

The NDB allows the BRICS to provide infrastructure and other development funding in a manner they believe to be more effective for emerging market and developing countries than the International financial institutions. In their recent evaluation of the BRICS’ objectives behind launching the NDB, Qobo and Soko contend,

“...the World Bank is unable to give assistance thoroughly. Besides, the economic and political conditions imposed are hard to accept as most applicant countries have learned hard lessons."

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78 Ibid.
80 Shen, 46.
81 Wolff, 94.
the IMF and the World Bank – in order meet infrastructure needs and address sustainable
development challenges.”

They believe the BRICS are working toward three key “outcomes:” addressing significant gaps in infrastructure that impact the BRICS and other developing countries; building “bargaining capacity” when dealing with the west through increased collaboration with developing countries and emerging economies; and increasing the BRICS’ ability to set the agenda and create “new rules and norms” in international processes. These outcomes parallel the themes identified in this paper.

With the NDB commencing operations in early 2016, it will be some time before success can be evaluated. At this point, however, the success achieved simply by launching the bank cannot be overlooked. For 60 years, the Bretton Woods Institutions have been “the only game in town.” For two decades or more, the BRICS and others have been unsuccessfully pushing for reasonable reforms. A paradigm shift in global governance has occurred: the BRICS have concluded that it is no longer necessary to always work with the West. If what the West offers isn’t working, then the BRICS will simply create a structure of their own.

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84 Ibid. 281.
<table>
<thead>
<tr>
<th>Asia Infrastructure Investment Bank (AIIB)</th>
<th>Announced in 2013 and opened in January 2016, the AIIB, focuses “...on the development of infrastructure and other productive sectors in Asia...” The 57 founding members include the BRICS and G8 members France, Germany, Italy and the United Kingdom. (^{85})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bretton Woods Institutions (BWIs)</td>
<td>The World Bank and International Monetary Fund (IMF) were created at the end of World War II to support rebuilding in countries devastated by the war. Both institutions have evolved beyond that goal to become key players in global development.</td>
</tr>
<tr>
<td>BRIC</td>
<td>Brazil, Russia, India, and China. The initial grouping identified by Jim O’Neill in 2001, focused on economic growth and potential for inclusion in the G7.</td>
</tr>
<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China, and South Africa. The current grouping of countries and the partners in the New Development Bank.</td>
</tr>
<tr>
<td>Development bank</td>
<td>Global institutions such as the World Bank and International Monetary Fund (IMF) that provide funds and resources to support development in emerging economies.</td>
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<td>EMDCs</td>
<td>Emerging market and developing countries</td>
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<td>IFIs</td>
<td>International financial institutions such as the IMF and World Bank</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>New Development Bank (NDB)</td>
<td>The development bank announced by the BRICS “...with the purpose of mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies.” (^{86})</td>
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Bibliography


