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# THE EMERGING ROLE OF



# IN THE CHANGING WORLD ORDER

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## The Emerging Role of BRICS in the Changing World Order

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### Abstract

*The rapid economic and political rise of Brazil, Russia, India, China and South Africa (BRICS) as an informal co-operative group as well as their individual emergence on the international stage as influential actors have shifted the power dynamics of the international world order. Most importantly, the emergence of BRICS after the financial crisis has changed the structural dynamics of the West-dominated financial system by providing an alternative bypassing the normative structure. Of which, what provided the institutional framework to the BRICS is the New Development Bank and the Contingent Reserve Arrangement- key milestones of cooperation among emerging economies and developing countries. Thereby, this makes it imperative to understand the role of BRICS as an important platform in the international order and how it is shaping the international order.*



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**Keywords:** *BRICS, New Development Bank, International Order, Bretton Woods Institutions, South-South Cooperation*

## **Introduction:**

Surviving under the metamorphic phase of two decades, BRICS has significantly evolved as a potential institution. Under the presidency of China, the 9th BRICS Summit will be held on September 3-5, 2017 in Xiamen, in East China's Fujian province. Being the chair of the summit, on February 23, 2017, China unveiled the theme and key priorities in the event of the First Sherpa Meeting of the 9th BRICS Summit in Nanjing. As China's State Councillor Yang Jiechi officially announced that the 2017 Summit will be held under the theme- "*BRICS: Stronger Partnership for a Brighter Future*".[1] In his speech, Yang further stated that Summit will feature four key objectives: promote members strengthening solidarity and collaboration, and improving global governance; deepening pragmatic cooperation to achieve mutual benefit; increasing people-to-people exchanges, and enhancing public support; and strengthening institutional mechanism and improving cooperation platform.[2] Given these key objectives at play, the 9th BRICS Summit will further pave the way in shaping the international world order.

What makes BRICS distinct is its timely diversified outlook, which was first envisaged at the 7th BRICS Summit held in July 2015, in Ufa, Russia. Wherein, the BRICS leaders, as the Ufa Declaration states: "*emphasized the importance to strengthen BRICS solidarity and cooperation, and decided to further enhance [the] strategic partnership on the basis of openness, solidarity, equality and mutual understanding, inclusiveness and mutually beneficial cooperation.*" And further emphasized on "*enhance[ing] the collective role of [BRICS] countries in international affairs*".[3] From this statement, it can be assessed that BRICS as a forum has evolved both in significance in the international order as well as its vision from being economically oriented to that of adopting a multi-dimensional approach to global concerns.

Further following up on the Ufa lines, the 8th BRICS Summit under India's chairmanship emphasized on "*Building Responsive, Inclusive and Collective Solutions*"- which comprehensively encompassed the acronym 'BRICS'. The Goa Declaration further accentuated the broadened vision as it categorically pointed at the "*emerging challenges to global peace and security and to sustainable development [that] require further enhancing of our [BRICS] collective effort*".[4]



This constant expansion in BRICS vision categorically exemplifies the evolving role of BRICS as a potential institutional framework in the international order. What is important to note is the diversified outlook that significantly reflects the shift in BRICS' organizational focus- from prioritizing economics to that of engaging with the emerging global concerns.

What makes BRICS more significant is the indicative expansion of its institutional framework and functionalities since its inception in 2009. Of which, the most important outputs have been reached in terms of the New Development Bank, the Currency Reserve Arrangement, and Strategy for BRICS Economic Cooperation and so on. Given the rapid rate of their economic growth, analysts predict that the BRICS will overtake the United States in terms of GDP by 2016 and the G7 by 2030. This makes it imperative for BRICS to further elevate its reach and output.

Thereby, having a comprehensive diversified vision, the pragmatic way forward for BRICS lies in evolving into a multilateral framework that goes beyond the economic logic and significantly addresses the global political and security concerns. This multilateral step forward can only elevate the institutional stature of BRICS to that of a responsible stakeholder in the international order. And most importantly, serve as an indicator of both the ability of BRICS to affect international outcomes as well as the intentions of the concerned states in doing so.

## **Origin and Evolution of BRICS**

BRICS is an informal group of states comprising of the Federative Republic of Brazil, the Russian Federation, India, China and South Africa- a composition of the emerging economies and political powers at the regional and international level. Initially, conceptualized as 'BRIC', the acronym was first coined in 2001 by Goldman Sachs' chief economist, Jim O' Neil in an attempt to forecast global economic trends and thereby, highlighted the exceptional role of important emerging economies, which included only Brazil, Russia, India and China (BRIC). Under this study, the main finding suggested that the BRICs would play an increasingly important role in the global economy.[5] As Neil predicted that "*over next 10 years, the weight of BRICs and especially China in world GDP will grow, raising important issues about the global economic impact of the fiscal and monetary policy of BRICS*". In 2003 Goldman Sachs came up with another paper titled "Dreaming with the BRICS: The Path to 2050". This paper made more



definitive and long-term conclusions about the BRICs economies and forecasted that the BRIC economies will surpass the G-6 economies (the United States, Germany, Japan, the United Kingdom, France and Italy) by 2050 in US dollar terms.[6] Therefore, originally the BRICs were meant to be a purely economic category-bounded by the strength of their fast-paced economic growth.

This economic acronym of 'BRIC' paved its initial formalization, wherein the first move was taken in September 2006 when the first meeting of the BRIC foreign ministers took place on the sidelines of the 61st UN General Assembly in New York. This was followed by successive meetings in 2007 and in 2008 the BRIC Heads of State meeting was held. Having emerged strongly from the 2008-2009 financial crisis and projecting a viable model of growth, the member states formalized BRIC as an institutional body with the first summit of the BRIC leaders held on 16 June 2009 in Yekaterinburg, Russia. This summit concretized the acronym 'BRIC' into a reality by laying the broad objective of building a *“more democratic and multipolar world based on the rule of law, equality, mutual respect, cooperation, coordinated action, and collective decision making of all states”*. [7] While in 2010, with the inclusion of South Africa into the gamut, the acronym expanded to 'BRICS'- symbolizing the collective economic clout of Brazil, Russia, India, China and South Africa. Though each country has distinctive economic and political character, what assimilate these five countries together is their commonalities in terms of- the outstanding size of their economies, strong growth rates with significant input in the world economy and ambition to have a strong political voice in the international order. Besides, what makes BRICS a heterogeneous economic group is their distinctive economic character wherein Russia is a commodity-driven economy, China is the export-led economy, India is a domestic consumer-based economy, Brazil has much developed economic structure and South Africa represents the fast-growing region of Africa. And most importantly, BRICS brings together five major emerging economies, comprising 43 percent of the world population, having 37 percent of the world GDP and 17 percent share in the world trade. [8]

Since 2009, Summit level meetings between the Heads of the State have become a regular practice- strengthening the institutional framework of BRICS. So far, seven BRICS Summit have taken place: 2009 (Yekaterinburg-Russia), 2010 (Brasilia-Brazil), 2011 (Sanya-China), 2012 (New Delhi-India), 2013 (Durban-South Africa), 2014 (Fortaleza-Brazil) and 2015 (Ufa-Russia). From these dynamics, what is noteworthy is that BRICS forum has evolved and expanded since its official formalization in 2009, as witnessed in the addition of South Africa to the



economic grouping. BRICS has also evolved in their vision as initially emphasizing on economic issues, the BRICS agenda has expanded over the years to encompass topical global issues. In this process, BRICS function under twin pillars- consultation on issues of mutual interest through meetings of Leaders as well as of Ministers of Finance, Trade, Health, S&T, Education, Agriculture, Communication, Labour, etc. and practical cooperation in a number of areas through meetings of Working Groups/Senior Officials. Besides, regular annual Summits, as well as meetings of Leaders on the margins of G20 Summits, are held.[9]

In doing so, BRICS has expanded its activities in two main streams of work: (i) coordination in meetings and international organization; and (ii) the development of an agenda for multi-sectoral cooperation among its members.[10] Wherein, in the area of International fora and organizations, BRICS is focused on the economic-financial and political governance spheres. As for economic-financial domain, the BRICS agenda prioritized G-20 cooperation, including the IMF reform. While in the political realm, the BRICS advocate the reform of the United Nations and of its Security Council, aiming for more inclusive representation and a more democratic international governance. In addition, the BRICS maintain a constant dialogue on the main issues on the international agenda. [11] The intra-BRICS cooperation has expanded into areas such as agriculture, science and technology, culture, outer space, think tanks, Internet governance and security, social welfare, intellectual property, health, and tourism, among others.[12]

Thereby, BRICS has evolved and expanded both in its role and agenda over the years as witnessed in the significant shift from being an acronym to that of becoming a formal grouping of emerging economies, which plays a significant role in reforming the global financial system as well as setting a new alternative process within the world politics.

## **Role of BRICS in the International Order**

What makes BRICS important is the fact that with over 40 percent of the world's population in its fold, the combined output of these countries constitutes more than 20 percent of the world GDP. That is, the BRICS economies collectively have evolved into a strong economic force as reflected in the increasing share of BRICS in the world GDP. From a share of little over 10 percent of the world GDP in 1990,



BRICS now commands a share of more than 25 percent, which implies that the economic size of BRICS in terms of its share of world GDP has expanded by 150 percent.[13]

Since its inception, BRICS has played a vital role both in practical as well as ideational terms in reforming the global financial system as well as in the norm-setting processes within world politics.[14] Wherein, the practical role for the BRICS resides in the original mandate of this informal grouping, which took shape chiefly after the global financial crisis of 2008. The aim of founding the grouping was to discuss economic and trade, primarily towards reform of the International Monetary Fund (IMF) and the World Bank, in order to enhance the representation of emerging economies in these financial institutions. In this view, the aim of BRICS was driven by two factors: first, it was felt that the IMF model of growth (Washington Consensus) contributed to the global financial crisis in the absence of sound financial surveillance. And in this phase, the BRICS member states were able to survive the financial crisis. Second, with 40 percent of the world population and a creditable contribution to world economic output (25 per cent), the BRICS grouping felt it is time to seek political access in global rule-setting processes.[15]

What led to the relevance of BRICS in international order was the financial crises of 2008, which raised skepticism and concerns over the dollar-dominated monetary system. This further challenged the relevance of west-led Bretton Woods institutions given the suffering of the United States and Europe in the wake of the financial crises. While on the other end, the BRICS economies showed resilience and thereby, called for the *“the reform of multilateral institutions in order that they reflect the structural changes in the world economy and the increasingly central role that emerging markets now play”*. [16] In this light, BRICS provided an alternative discourse on global governance. Another characteristic feature of BRICS that exemplified its role in international order was that BRICS did not stop after financial crises, rather it expanded and *“spilled over”* to other areas. That is, the BRICS co-ordinated actions beyond the economic realm and expanded to new areas of cooperation and interaction among BRICS countries. Thus, BRICS rather than being a narrow issue-based coalition has evolved and expanded into a multilateral forum engaged in various activities related to the international order.

### **Significance of BRICS: Role of New Development Bank**



It remains clear that over time, BRICS has evolved into a vital grouping that has significantly played an important role both in practical as well as ideational terms. Most importantly, BRICS has been able to provide an alternative platform to the West-dominated international order. Of which, the most significant landmark has been BRICS New Development Bank (NDB) which came as a result of growing grievances among BRICS nations on the failure of IMF to implement 2010 IMF quota reforms. BRICS initiative to establish the NDB and Contingent Reserve Arrangement (CRA) as agreed during the 5th BRICS Summit in Durban was an initiative to undercut the Bretton Woods institution. Although mostly seen to be a direct challenge to the existing development banks (World Bank and IMF), but BRICS nations view the NDB to be a complement rather than a substitute to the existing financial institutions in the public and private sector to support the future growth of the developing and emerging economies.

Since the economic sphere is the most promising sector for the BRICS, thereby, two instruments of special importance were signed at the 6th BRICS Summit in Fortaleza in 2014: the constituent agreements of the NDB- aimed at financing of infrastructure projects and sustainable development in emerging economies and developing countries – and the Contingency Reserves Arrangement- which has the goal of promoting mutual support amongst BRICS members in situations of instability in the balance of payments. The initial capital subscribed for NDB was \$50 billion and the authorized capital was \$100 billion. While the resources allocated to the CRF was estimated to \$100 billion.[17] With the 7th BRICS Summit in Ufa, July 2015, the agreement on the NDB came into force followed by starting of its operation in 2016, with its headquarter in Shanghai and first presidency under India. What is noteworthy is that the New Development Bank has provided the institutional framework to the BRICS grouping in the international order.

Here, it becomes imperative to understand what is the significance and role of the NDB. That is, how does the NDB provide an alternative to the Western international order. There are three key features that exemplify the role of NDB and sets it apart from other multilateral development banks. They are “south-south” cooperation, equity in power-sharing and sustainable development.[18]

First, the creation of NDB by countries of the global south for the global south is both unique and necessary. It has been created to meet the specific development needs of the global south, namely those of infrastructure, wherein unlike the West-led development banks, NDB’s funding is provided free of political





conditionalities and is disbursed without delays.[19] In this light, the BRICS Bank seeks to address the existing gaps in the financial architecture of the Southern countries. For infrastructure development is the key driver of economic and social growth, but in the context of developing countries, infrastructural deficiencies are a matter of concern. Thereby, NDB aims at bridging these gaps between “needs and funding”. [20] In this regard, BRICS growing impact on low-income countries through trade, foreign direct investment, and development financing is significant and also challenges the old system of donor countries such as United States, EU, and Japan. Therefore, the South-South Nexus makes BRICS-led NDB a successful alternative given the logic of solidarity, shared experiences and self-reliance of the South.

Secondly, NDB provides equity in power sharing. That is, each of the BRICS governments has ownership of one-fifth of the share of the Bank, which translates into an equal say in decision-making.[21] This makes NDB more inclusive and there exists no monopoly in power sharing unlike the West-led banks such as IMF and World Bank, where there is a hierarchy at play.

And lastly, NDB is committed to the principle of sustainable development, which makes it an exception in itself. For this is a departure from a business-as-usual approach.[22] In its own words, NDB looks forward to partner with initiatives that drive growth and employment while ensuring environmental protection.[23]

Therefore, the \$100 billion bank floated by the BRICS nations has been an important step forward in the current structural dynamics of the world order. The Bank would provide a valuable addition to the existing network of multilateral, regional and national development banks. it is important to note that the development of BRICS institutions such as NDB and CRA- can provide a valuable platform for the BRICS to advance reforms in the international financial and development architecture that favor the developing and emerging countries in general.[24] It is in all likelihood that BRICS-led NDB will eventually emerge as a major cornerstone of the global developmental landscape. And that, the emergence of such institutions will very likely alter the hegemonic influence over developmental finance that the US currently enjoys.[25] Although the New Development Bank is unlikely to replace the IMF and the World Bank. But, it certainly will emerge as a strong financial institution in the international order setting new norms to the old structure.



## Conclusion:

In the concluding remarks, it can thus, be stated that BRICS as an informal grouping of emerging economies has evolved both literally and figuratively. Economically, the role of BRICS has been most promising given the institutionalization of the New Development Bank and the Contingent Reserve Arrangement- which are definitive and are deemed to play a significant role in the geo-economic and geopolitical domain. Although BRICS is at its formidable stage but, it has been successful in laying the groundwork of an alternative order in the current structural dynamics of the West-dominated international system. The most important characteristic feature that defines BRICS is the 'South-South cooperation'- which makes BRICS more viable as an agency. And with the broadening of agenda from economics to greater stakes in global political and security concerns such as cooperation in counter-terrorism activities and others have further exemplified BRICS evolution in significant terms. Therefore, in the long run, BRICS is likely to emerge as a strong and effective multilateral forum in the global order. Given this assessment, the 9th BRICS Summit will play a significant role in further enhancing the role of BRICS in the international order.

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