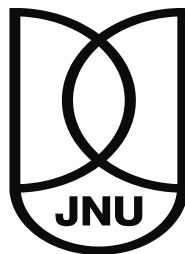


# **POLITICAL DIMENSIONS OF BRICS**

*Dissertation submitted to Jawaharlal Nehru University  
in partial fulfillment of the requirements  
for the award of the degree of*

**MASTER OF PHILOSOPHY**

**RAJU S**



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## DECLARATION

I declare that the dissertation entitled “**POLITICAL DIMENSIONS OF BRICS**” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

RAJU S

## CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

Prof. SANJAY KUMAR PANDEY

Chairperson, CRCAS

Dr. AMITABH SINGH

Supervisor

*Dedicated*

*to*

*my amma, naanna*

*families both kasipaka*

*and nadiminti and*

*friends*

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## **LIST OF ABBREVIATIONS**

ASEAN	: Association of South East Asian Nations
BASIC	: Brazil, South Africa, India and China
BRIC	: Brazil, Russia, India and China
BRICS	: Brazil, Russia, India, China and South Africa
BWS	: Bretton Woods System
CMI	: Chiang Mai Initiative
CRA	: Contingency Reserve Arrangement
EIB	: European Investment Bank
GATT	: General Agreement on Tariffs and Trade
ICISS	: International Commission on Intervention and State Sovereignty
IBSA	: India, Brazil and South Africa
IBRD	: International Bank for Reconstruction and Development
IMF	: International Monetary Fund
NATO	: North Atlantic Treaty Organization
NDB	: New Development Bank
NIEO	: New International Economic Order
OECD	: Organization Economic Cooperation for Development
RIC	: Russia, India and China
R2P	: Responsibility to Protect
WTO	: World Trade Organization
UK	: United Kingdom
USA	: United States of America
UNO	: United Nations Organization
UNCTE	: United Nations Conference on Trade and Employment
UNSC	: United Nations Security Council

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## **Introduction**

The BRICS grouping share common perception of the existing global governance structure was set up soon after the Second World War has become an anachronistic. After the creation of the global institutions, namely the United Nations, the World Bank and the IMF, the world witnessed several significant shifts in international political economy. However, the corresponding changes that occurred in the international politics which are not reflected in this global governance structure. Particularly with the end of the cold-war, the world ushered into the US led unipolar world in which the US has become sole super power. The post-cold war period witnessed unprecedented changes, end of the bi-polar world order, rise of Asian countries like China and India and other emerging economies like Brazil, in the global governance structure. As a result, rising economies like Russia and China were integrated into global economic system.

However, it is the firm belief of the BRICS countries that the post-cold war era dominated by unilateralism led by the US with the coalition of its allies. The US pre-eminence began in the mid-twentieth century by establishing the global governance structure largely based on the Bretton Woods Systems and the United Nations. Thus, the BRICS countries argue that the US led unilateralism either manipulates the global institutions or side line them in order to fulfil their economic interests. As the economic interests of the US with its 'Washington Consensus' based development model resulted in series of economic crises in developing countries like Brazil and Mexico recently Russia and Asian financial crisis.

An addition to it, the developing countries witnessed a lot of political turmoil in the post-cold war period; particularly the political chaos was widespread in African continent subsequently in the Middle Eastern countries. The BRICS countries perceived the unrest, both politically and economically, across the globe because of the neoliberal policies of the Bretton Woods System and also ineffectiveness of the UN Security Council in establishing peace in these countries. The grouping also sees that the US with its military and economic might unilaterally intervened in domestic affairs of the sovereign states in the last decade of the twentieth century.



Concurrently, non-western countries like India, China and Brazil, Russia is reviving its glory, are emerging in international relations. These countries' growing economic weight and political clout are not adequately addressed by the existing global institutions. Thus, the countries have been demanding their due share in these institutions in order to make it more democratic and representative. It is the strong belief of the five countries that their contribution to global governance far higher than other some of the developed countries like Canada, Germany and Italy etc. but, their representation and voice is nominal in the global governance structure. Thus, the five countries came together to address the outstanding issues in international global governance consists of Bretton Woods System and the United Nations.

## **Background of the Global Governance Structure**

### ***Bretton Woods System***

The creation of the Bretton Woods System is the outcome of the conference that held in New Hampshire, United States of America (henceforth called US) in 1944 during the last phase of the World War II (Woods: 2006). The Bretton Woods System comprises of three institutions i.e. the International Bank for Reconstruction and Development (well known as World Bank), International Monetary Fund (IMF) and the General Agreement on Trade and Tariff (GATT) later replaced by World Trade Organization (WTO) in 1995. Though GATT is seen as part of Bretton Woods System, it is actually created by the United Nations Conference on Trade and Employment (UNCTE) came into operation in January 1948 (Heywood 2011).

Forty-four member states attended the conference chief among them were the US and the United Kingdom. The primary concern of the creation of the Bretton Woods system was to reconstruct the Europe which was devastated by the Second World War. Also to provide financial and monetary support to infrastructure development in the third world countries. The member states of the conference were of the opinion that the rise of the fascism in Europe in 1930s was because of the widespread unemployment subsequently led to the Second World War. Thus, the conference considered the unemployment issue seriously and designed the structure to save the succeeding generations from the financial crisis and the world wars (Watson 2005).

It was the time when UK's domination was diminishing in the world economy while US was becoming pre-eminent power in the world with its economic and military might. With its economic and military might the US had an advantage of setting an agenda of the post war period economic governance. The advantages of the US were apparently visible in the post war period economic system. In 1947, when the US announced "Marshall Plan" to prevent the communism advocated by the Soviet Union. The US saw the principles of communism as against capitalist model of development. Due to the actions of US containment of communism reconstruction process of Europe delayed. Thus, Bretton Woods System started functioning in 1950s to bring peace and economic stability to Europe (Heywood2011).

The three financial institutions are to deal with different tasks in reconstructing and recovery process in the war ravaged Europe and provides financial aid to infrastructural development in third world countries. In accordance with the agreement of the Bretton Woods conference formal businesses of the International Bank for Reconstruction and Development (IBRD)(popularly known as World Bank), International Monetary Fund (IMF) and General Agreement on Tariffs and Trade (GATT) were to provide long-term investment and technical assistance for the reconstruction in Europe and development in the third world, to encourage the stable exchange rate system by making the dollar as currency anchor and to promote the trade by removing the trade barriers among the states respectively (Heywood2011).

The financial institutions showed successful results with regard to stabilizing the economy and reconstruction in Europe in subsequent decades. During the 1950s and 1960s OECD countries could achieve the consistent average growth rate four to five per cent annually. By the late 1960s Europe economy began deepening its integration and started diverging its positions from the US provisions over the issues such as North Atlantic Treaty organization (NATO), military exercises and global standard. At the same time remarkable success of Asian countries, Japan, South Korea and Taiwan posed a challenge to the US trade competitiveness. Japan became the second largest economy in 1968 next to the US. Under these circumstances in 1971, US changed the principles of monetary system and announced the dollar would be no longer convertible to gold (Woods 2006).

The implications of the floating exchange rate system broke the Bretton Woods System. The Bretton Woods institutions, particularly IMF and World Bank started focusing on lending funds on developing countries developmental projects. There were several significant shifts took place in their funding and investments in developing countries in 1960s onwards. In Europe developed countries came together in the form of G7 to stop the volatility of the economy. Concurrently world witnessed several crises such as first oil crisis later on resentment of the developing countries towards developed countries conditionalities. Subsequently, the developing countries created the New International Economic Order (NIEO) in order to replace the existing economic system as it was not acting in favour of the developing countries rather focusing on benefitting developed countries at the cost of developing countries (Woods 2006).

The voting systems of the IMF and the World Bank are based on their economic weight of the member states. The economic weight which gives an unofficial veto to the US in the IMF to stall any decision as the US thinks the decision which hampers its interests. Thus, the US could impose conditionalities on developing countries in connection with development aid projects. The balance of payments policy gives the discretionary power to IMF and also to maintain the stability of the World Bank funding. In the name of either containing or preventing the crises these two institutions perpetuating the poverty across the developing world to sustain and strengthen their economies. The policies and functions of the institutions are entirely opposite to their establishment. It is clearly seen in their Motto of World Bank where it is written “We want to see the World free from Poverty”. Ironically the poverty has increased significantly rather than declining. It shows the developed countries biasness towards developing countries development (Stiglitz 2003).

The partisan attitude and colonial mind set of the advanced countries, “we know best”, led to the several crises that happened in many countries such as Mexico in 1984, East Asian Crisis in 1997 and Russia in 1998 (Stiglitz: 2002). Eventually led to the global financial crisis occurred in 2007 with collapse of Lehmann Company. The economic crises started occurring from 1970s onwards but they did not affect the advanced countries economy. Thus, the developed countries did not consider those economic crises seriously. When the developed countries experienced the impact of

the financial depression which occurred in 2008 then, they started paying attention to the rest of the world. As a result, Russia was incorporated in G8 in 1997-8. Moreover, inviting the BRICS countries to the G20 summits, are seen as the growing importance of the BRICS countries in the Bretton Woods System (Stuenkel 2015).

### *The United Nations*

The primary objective of the UN establishment is to resolve conflicts through peaceful means. The BRICS countries perceive that the UN is reflecting the post-war era prospects than the post-cold war period realities. It is firm belief of the BRIC countries that the developed countries are either manipulating the UN or sidelining it by the “coalition of the willing”. Thus, these countries are demanding their due share in decision making process of the UN and also to reflect the current realities of the world. The grouping expresses their strong commitment to multilateral diplomacy and they recognize the central role played by the UN in dealing with global challenges such as climate change, pandemic diseases and transnational terrorism (Coning 2015).

Stuenkel (2015) says that the countries are consistently engaging with the UN Security Council either as permanent or as committed candidates than any other emerging economies of the world. When all the BRICS countries sat on the UN Security Council in 2011 and four of them except Brazil in 2012 provided an opportunity to develop common interests in promoting the multipolarity and strengthening the UN Security Council in preventing the conflicts in the post-cold war era.

The concept of R2P stands for the protection of humankind from manmade disasters like ethnic cleansing, communal riots, genocides, civil strife and so on. However, the BRICS shared common belief that the western world led humanitarian interventions are essentially undermining the principle of state sovereignty. Therefore, the BRICS countries give utmost importance to the principle of state sovereignty while protecting the civilians. Therefore, there is an inevitable conflict between the BRICS countries and the developed countries about the R2P. The conflict becomes political reality when this abstract idea puts into practice in 2011 Libya intervention. All these factors made BRICS grouping politically significant in changing the international governance structure (Thakur 2014).

## **Rationale and Scope of the Study**

The BRICS grouping becomes crucial in the post-cold war period. As the post-cold war period is facing a rapid urbanization and will accelerate in coming thirty years. Especially, the urbanization brings many infrastructural problems to developing countries. The BRICS grouping's creation of the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) can tackle these challenges of developing countries. The existing financial institutions' lending process is linked with the neoliberal economic agenda of the developed countries. Hence, the developing countries are compelled to accept the policy conditionalities in order to get the funding projects from these institutions. The policy conditionalities hamper the developing countries' indigenous development model resulted in enriching the richer and pauperisation of the poor in developing countries.

Thus, the NDB categorically opposes policy conditionalities and encourages country specific development model. Also the NDB exclusively focuses on infrastructure development in developing countries. So no longer developing countries rely on established financial institutions for their developmental needs. Thus, the NDB becomes an alternative multilateral financial institution to that of established global institutions. The extreme poverty leads to extremism in developing countries. As a result, the developing countries are facing widespread civil unrest. Thus, BRICS firmly believes that the causes of the civil strife lie in poverty and hunger. Therefore, the BRICS communicates focus on the pressing problems of development and working towards the achievement of the Millennium Development Goals. Whereas the developed countries believes in use the force in curbing the unrest in developing countries.

The BRICS countries argue that there is an asymmetry between the developed countries and the developing countries in the global governance structure since the established structure is representing the wishes of the western world and ignoring the aspirations of the developing countries. Despite the considerable contribution of the BRICS countries to the global institutions, particularly during the financial crisis, the BRICS countries accumulated billions of dollars to the IMF to overcome the crisis. Likewise, the BRICS countries are actively taking part in UN peacekeeping operations across the globe. Moreover, the BRICS countries contribution to UN

budget during the financial depression increased considerably while the contribution from the developed countries fell down drastically. However, the global governing bodies have nominal representation from the BRICS countries, particularly Brazil, India and South Africa. Thus, the BRICS countries firmly believes in restructuring the existing global governance structure in order to make it more democratic and representative in the post-cold war period realities than the representing post-war period prospects.

### **Research Objectives**

- ❖ To study the international politics from the end of the bipolar world to emergence of the multipolar world.
- ❖ To understand the shifts that occur in global politics such as decline of US unipolarity and rise of the rest, particularly BRICS countries in the post-cold war period.
- ❖ To analyse growing weight of the BRICS countries in setting the agenda of the 21<sup>st</sup> century in international politics.

### **Research Questions**

- ❖ What are the causes that led to formation of the BRICS?
- ❖ How is the New Development Bank different from the established international financial institutions?
- ❖ Why BRICS is moving from economic matters to politico-security issues?

### **Hypotheses**

- ❖ The failure of Bretton woods Institutions to adequately address the requirements and needs of the BRICS countries led them to come together to form a new organization New Development Bank to address the outstanding issues.
- ❖ BRICS has become formidable political force largely based on their economic power.

## **Research Methodology**

This research will consist of three components: Historical method and Qualitative method. It is also analytical and descriptive in nature. The research work is based on both primary and secondary sources. The primary sources included government documents, records, data reports, policy statements and speeches of political personalities. Documents published by International Organisations and also other National and International Non-Governmental Organisations, and institutions are used for the study. Secondary sources included books, journals, articles, newspapers, scholarly papers and other published and unpublished resource material relevant for the study.

## **Plan of Study/Organisation Chapters:**

The study is organised into the following five chapters.

### **Chapter I: Introduction**

The introduction chapter gives the overview of the BRICS grouping in the international political economy. The chapter also deals with historical background of the post-war institutional design, the evolution of the Bretton Woods System and the United Nations. It also encompasses the rationale, scope and objectives of the study, hypotheses, research questions and methodology of the study.

### **Chapter II: Origin and Evolution of the BRICS**

The second chapter traces the genesis and evolution of the BRICS. Besides, it deals with the each of the BRICS countries' perception of the post-cold war era. The chapter also talks about the common interests of the grouping about the post-cold war period. This chapter primarily deals with the issues that dominate the global politics as well as the BRICS meetings, particularly the 2008 financial crisis and the interventions in the Middle East and African countries. The chapter discusses the issues which are related to pressing problems of global development such as food crisis, climate change, and terrorism and so on.

### **Chapter III: Economic Significance of the BRICS**

The third chapter talks about the economic rise of the BRICS countries in global economy. It also speaks of the asymmetry between the affluent countries and BRICS countries in the established financial institutions. It discusses the economic role of BRICS countries and their contribution to global financial system during the financial depression to surmount the crisis. The chapter deals with the inequalities between the developed countries and the developing countries' representation, voting share and voice in the World Bank and the IMF. The chapter also argues that the inadequacies of the global financial institutions which led to creation of New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA). Finally it talks about the differences between the BRICS led NDB and CRA and the western world led World Bank and the IMF.

### **Chapter IV: Political importance of the BRICS**

The fourth chapter primarily deals with the US unipolarity in the post-cold war era and its impact on developing countries. It focuses on issues that are related to political turmoil in the Middle East and African countries. This chapter also talks about the inefficiency of the UN Security Council in preventing conflicts in the post-cold war period. As this chapter argues that the US led unilateralism undermining the authority of the UN Security Council resulted in interfering in the internal affairs of the sovereign states. It also emphasizes the necessity of the reform the UN Security Council as it no longer reflects the changing realities of the post-cold war period. It also discusses the concept of 'Responsibility to Protect (R2P)' as it has become bone of contestation between the western led humanitarian intervention bloc and the BRICS led state sovereignty.

### **Chapter V: Conclusion**

The concluding chapter summarizes the major findings and observations of the research.



## **Origin and Evolution of BRICS**

BRICS, was formed in 2009 at its first summit held in Yekaterinburg, Russia, comprise of Brazil, Russia, India, China and South Africa. South Africa was incorporated in 2011 at its third summit, Sanya in China (Piper 2015). BRIC, an acronym coined by Jim O'Neil, Goldman Sachs economist, in 2001. In his paper titled "Building Better Global Economic BRICs" forecasting the BRIC (Brazil, Russia, India and China) countries GDP growth set to grow more than G7 economies in 2002 and the growth is likely to continue in coming years (Neill 2001). In 2003, Goldman Sachs group came up with another paper which forecasted that the BRIC countries would be listed in the top six largest economies in the world by 2050 (Wilson and Purushothaman 2003).

The BRICS countries comprise over 3 billion population, covers more than 25 percent of planet's land area and their share in global economic growth is about 46 percent from 2000 to 2008 (Piper 2015). Despite coming four different continents, having had different political regimes at domestic level, Brazil, India and South Africa are democratic countries whereas Russia is democratic country moving towards authoritarianism and China is communist socialist country. Nonetheless, the five countries, certainly, share common aspirations and goals about the post- cold war global order (Thakur 2014).

The grouping is essentially geopolitical constellation because they share common perception about the post-cold war period dominated by US led unilateralism. The BRICS grouping perceives that the post-cold war era witnessed a lot political turmoil in the Middle East and African countries are because of the unilateral policies of the US in collaboration with its allies. The three of the five countries, Russia, India and China, raised the concerns over the US unilateralism in the post-cold war international politics soon after the disintegration of the Soviet Union (Thakur 2015). Therefore, the roots of the grouping traced back to early 1990s with the cooperation between Russia, India and China (RIC). The trilateral cooperation primarily opposes the unilateralism and militarisation of conflicts rather promoting multipolarity and multilateralism in resolving the conflicts through dialogue and diplomatic means in

international relations (Kundu 2012). It is this shared interests of multipolarity and multilateralism that led to adding Brazil into RIC in 2006 with the Russian initiative.

The grouping has a long history in articulating the aspirations of developing countries through various regional and international forums including United Nations (UN) General Assembly. The leaders of these countries delivered speeches at the UN General Assembly on the eve of fiftieth anniversary of the UN General Assembly and its subsequent meetings that the post-cold war brought an unprecedented opportunities with end of bipolar rivalry so the entire world work together towards just society in eradicating poverty and hunger in the post-cold war period. Therefore, countries like Brazil and Russia, initially, followed the neoliberal development model but, later on, the leaders of Brazil and Russia disgusted with the neoliberal policies of the international financial institutions as the western development model is not in tandem with the conditions of the non-western countries. Hence, they shifted their focus from neoliberal policies to regulated economic policies (Mielniczuk 2013). The BRICS countries view that the partisan attitude and political motives of the international financial institutions led to Asian financial crisis and Russian economic recession (Singh 2013).

At the same time, the BRICS countries, particularly India and China were rising in global economy in the last decade of the twentieth century and early years of the twenty first century followed by Brazil and Russia was reviving its economy. With their growing weight in global economy, these countries began articulating their due share in global financial institutions. Meanwhile, Goldman Sachs Groups' projections about these countries got an impetus and legitimacy to BRICS grouping to talk about the developing countries' say in global governance structure (Stuenkel 2015). However, the BRICS countries have had a long history of following different approach towards global politics to that of the developed countries since the cold-war period.

## **Brazil**

As early as in 1960s Brazil began conducting its foreign policy independently from that of the US. San Tiago Dantas, the then foreign minister of Brazil, was the architect of independent foreign policy which sought to diversify its ties with other countries

by joining neither of the blocs prevalent during Cold-War period. Brazil's independent foreign policy was at its peak during the Cuban Missile Crisis in 1962. The US had decided to impose sanctions on Cuba, owing to Brazil's efforts, the US could not impose sanctions. For the centuries Brazil followed Universalist approach that promotes pluralism in international system in which each country has its say. The Universalist approach is reflected in Brazil's policy in bringing together BRICS countries despite coming from different regions and cultural and civilizational background. The approach means having dialogue with all the possible states and also opposing the interventionism in international politics. Thus, it advocates to hasten the multipolar world order in order to give due representation to every country in the international politics. Brazil has been aspiring to play a global role for which promoting multipolarity and demanding the permanent membership in the Council (Abdenur 2015).

## **Russia**

Russia's political intention became clear when it offered to host the first informal meeting as well as formal meeting. In fact, it is the Russian foreign minister, Sergey Lavrov, who was an instrumental in bringing the four countries together and organizing meetings on the side lines of global financial and UN meetings. Thus, he was considered as political architect of the BRIC grouping. In economic and financial terms Russia may not be as impressive as other countries within the grouping but, due its past it gets de facto leadership position in the meeting. The initiations in holding meetings evince its natural capacity (Stuenkel 2015).

Russian post-soviet period foreign policy doctrine emphasizes the importance of integrating its economy into international economy in the post-cold war period. It talks about the creation of conducive environment for market economy as its economy was stagnant due to disintegration of Soviet Union. However, with the experience of economic recession in 1998, Russia started articulating the regulated economic model of development along with the BRICS countries. The doctrine also talks about the avoid use of force in international relations as the middle eastern and African countries witnessed the excessive use of military force resulted in thousands of unarmed civilians died. Thus, the doctrine points out that the use of force if necessary it should be strictly in accordance with international law. Therefore, Russian doctrine

promotes the multilateralism in the post-cold war with the central role played by the UN (Hansen and Sergunin 2015).

## **India**

After attaining independence, India decided to join neither of the two prevalent power blocs, US led capitalist bloc and the Union of Soviet Socialist Republics (USSR) led socialist bloc, rather preferred to follow the Non-Aligned Movement (NAM). The NAM stands for independent foreign policy maintaining friendly relations with foreign countries. However, with the adoption of the 'New Economic Policy' in the early 1990s, India has begun following the neoliberal policies of the World Bank and the IMF. Since India has millions of population live under policy so it has to maintain the equilibrium between the neoliberal economic policies and the state subsidized policies to feed the poor (Gupta and Chatterjee 2015). Nevertheless, due to discriminatory policies of the developed countries inequalities between rich and poor increased. Therefore, India denounced the developed countries as neoliberal economic agenda benefits the developed countries at the cost of developing countries. Besides, India demanded that the global governance structure should be inclusive in representing the interests of many rather than the few privileged. Atal Bihari Vajpayee, the then Prime Minister of India, said that "the death toll of global economic is far larger than the terrorist attack on September 9, 2001"

## **China**

Soon after the inception of People's Republic China (PRC) it had to combat the subversive operations intended to overthrow the communist government supported by the US. To face these challenges China had to engage with neutral and neighbourhood countries to establish friendly relations as a result the "Five Principles" of peaceful coexistence came into existence. During the cold-war era China's position was a secondary power. However, it was not subservient to neither of the two super powers rather followed independent approach in international politics not joining two power blocs by associating with NAM. Chinese views about the interference of internal affairs of any sovereign state are taken place with the consent of recipient state. China considers the importance of regional organizations in promoting peace, stability and security in the regions apart from UN operations. Whereas the western notion of

interference side lines the regional organizations for instance in Syrian case, China vetoed as it is not in accordance with the Arab League Peace Plan (Odgaard and Diaojiong 2015).

China has gradually become active in participating in BRICS activities. Initially Russia and Brazil played proactive role later on China is playing significant role in the grouping by incorporation of South Africa, setting up the new development bank headquarters in Shanghai and regional headquarters in South Africa. China promotes the country specific development model than the one fits for all approach followed by neoliberal model. China promotes the political pluralism in international relations is an alternative to western liberal integration promoted by Washington (Odgaard and Diaojiong 2015).

### **South Africa**

During the cold-war era South Africa was seen as the bridging the gap between the developed and developing countries. There was a paradigm shift in South Africa's position in international politics in the post-cold war. It strongly believes in multilateralism and multipolarity following the international principles based on the UN charter rejecting unilateralism. It emphasizes the principle of state sovereignty and non-interference. The conflicts in international political should be solved through multilateral solution with the central role of UN. Pretoria's foreign policy based on "*Ubuntu* (humanity) *Bathopele* (people first not just South Africans)" within the framework of universally accepted norms and rules. It has been critical of unilateral military actions in the Middle East which is why it promotes multilateralism in accordance with the UN charter. South Africa has a history of peaceful transition from apartheid era to democratically elected government in 1994 (Mandrup and Smith 2015).

An addition to it, it projected itself as the representative of poor and marginalised countries of the world envisioning unequal international system in the post-cold war international relations. Thus, its democratic regime advocated for post-cold war international system should be based on promoting pluralism, respecting human rights and protecting state sovereignty (Mielniczuk 2013). The inclusion of South Africa into grouping gives the legitimacy and visibility to the grouping across the globe.

South Africa's incorporation added advantage to grouping because, minus Russia and China, Brazil and India share several common properties with South Africa in terms of pluralism, colonial history, demanding the permanent membership in the UN Security Council mortars the much more stronger way. Moreover, the concept of 'Responsibility to Protect' emanated from this continent. Ideally, initially, South Africa strongly believed 'absolute non-interference' in international later on shifted to 'interference with indifference (Stuenkel 2015)'. Owing to its commitment to democracy and human rights are after witnessing abstract idea into practice, pragmatically shifted to 'ubuntu bathopele'.

Besides, the three countries having democratic regimes domestically led them to come together in the form of India, Brazil and South Africa (IBSA) Dialogue forum in order to strengthen South-South cooperation in international relations in the post-cold war period. And also these three countries, particularly, very critical of neoliberal agenda of the Washington make South Africa is the best option to be part of grouping than any other emerging economies. In fact, several other countries, including South Africa, sought membership in the grouping, in economic terms; they were all well deserved than South Africa. It is explicit that the grouping primary focus is not merely economic rather more political. Thus, South Africa became the fifth member of the grouping apart from its efforts and trade relations with other countries, particularly China (Stuenkel 2015).

Meanwhile, the BRICS countries are actively interacting themselves in many regional multilateral forums like IBSA and BASIC were established in order to strengthen their positions at local or regional level. Prior to BRICS, BASIC and IBSA primarily deal with climate changes and challenges and the UN Security Council reforms respectively. However, with the formation of BRICS grouping which assumes global role in restructuring the global governance structure in order to represent the post-cold war realities, particularly the aspirations of the developing countries.

### **BRIC(S) as a Political Category**

Scholarly literature shows that the BRIC countries began discussions, since 2006 when Brazil was added to Russia, India and China (RIC) category, on several issues that are global in nature. Issues such as poverty, hunger, climate change, reform of the

UN Security Council and the global governance and so on (Pimentel 2013). The inclusion of Brazil into RIC (RIC + Brazil) in 2006 was surprising, because there was nothing of impressive bilateral ties between RICs and Brazil. Moreover, Brazil is no way related to geostrategic relations with these countries. Brazil was included to RIC category because of Russian foreign minister, Sergey Lavrov, who played a decisive role in BRICs political trajectory. It is he who had the idea of adding Brazil into this category (Stuenkel 2015).

Since 2006, the foreign ministers of four countries began meeting informally on the side lines of UN General Assembly or standalone meetings largely initiated either by Russian or Brazilian foreign ministers Sergey Lavrov and Celso Amorim. In 2006, with the Russian initiative, informal meeting was organized on the side lines of the sixty-first UN General Assembly at the Brazilian Mission to the UN in New York discussed the topical global political challenges, largely dominated by Lebanon war. Likewise, Brazil initiated the 2007 meeting discussed the possibilities to hold a standalone summit and explore possibilities to expand cooperation beyond financial matters. In response to 2007 meeting, Russia organized standalone summit in 2008 when the ‘subprime mortgage crisis’ was dominating global conversation. The year 2008 is seen as the beginning of frequent meeting of BRICs countries. Again Russia’s initiative, on May 16, 2008 the first formal meeting took place as Amorim commented about this meeting after one month that “the meeting says more about multipolarity than the words could (Stuenkel 2015)”.

As Stuenkel (2015) pointed out that the financial crisis is not only strengthening the process of multipolarization but also to develop common position on several issues including global financial governance. He describes the changes that took place at a time when the dominance of the US was at historic low. At the same time Asia was rising, particularly Chinese economy overtook Germany in 2007 created a conducive environment for the global investors to look at emerging powers. Also it is very evident that the established global institutions wares not up to the task as unsettled issues were there. All these developments cumulatively opened up new world of opportunities. As a result, BRICS grouping became prominent in international politics.

## **BRICS Summits' Declarations**

It is foreign ministers who had decided the agenda of the subsequent meetings and summits of the BRICS leaders. First formal meeting focused on topical global challenges like climate change, hunger, poverty, terrorism and so on. To face these challenges the four countries' foreign ministers firmly believed that the challenges cannot be solved without the cooperation of the international community. Hence, the ministers emphasized the necessity of multilateralism to address the global challenges through the UN. Thus, the grouping committed to support the UN frameworks on climate change and terrorism and so on. The foreign ministers also pointed out the importance of internal security and stability. It is the belief of the ministers that the terrorism is one of the most deleterious threats to internal peace and stability. Therefore, they urge the international community to work with UN conventions on combating anti-terrorist strategy.<sup>1</sup>The importance of the BRICS countries in global economy is quite evident that more and more investors looking towards BRICS countries to invest in their companies because some of their companies are listed in the largest global traded on foreign exchange reserves.<sup>2</sup>

Meanwhile the global financial economy began facing recession with the collapse of the Lehman Brothers. The issue of Lehman Brothers which is dominated the agenda of the finance ministers' meetings. Therefore, foreign ministers paid attention to the crisis and pointed out that the failures of risk management and lack of regulatory and supervisory mechanism in international financial institutions. The leaders of the BRICS grouping advised that the expansion and diversification of trade and capital inflows among developing countries contribute to global economic growth and create new dynamic poles. The joint statement of the leaders urges the international community to support the Doha development agenda which emphasizes the

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<sup>1</sup>BRIC Foreign Ministers' Joint Communiqué, Yekaterinburg, Russia, May 16, 2008, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL:<http://www.brics.utoronto.ca/docs/080516-foreign.html>

<sup>2</sup>BRIC Leaders Meet, Toyako, Hokkaido, Japan, July 9, 2008, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/080709-leaders.html>.



importance of preventing protectionism in global economy particularly during crisis time.<sup>3</sup>

### **Yekaterinburg Summit**

However, the first summit was dominated by the issue of global financial crisis then Russian President Medvedev called the Ural City of Yekaterinburg as “new epicentre of world politics”. He stated that “the need for major developing countries to meet in new formats is obvious”. Thus, the declaration of the summit shows that the BRICs grouping focusing on comprehensive changes in the international political economy. The declaration of the first summit focused on food crisis as well.<sup>4</sup>

### **Sao Paulo Summit**

In each and every meeting and summit the leaders focused on G20’s role in global financial governance. Soon after the first summit G20 emerged as the premium global financial forum. Brasilia declaration exclusively discussed the issues apart from focusing on G20, urged that the world was undergoing major shifts that should be reflected in global governance. Besides, the leaders paid special attention to sectoral wise cooperation like agriculture, science and technology, education etc. Apart from the talking about broader issues are pertaining to global challenges. Each summit declaration is dealt with certain specific issues as the Brasilia communique paid special attention to developing common interest by focusing intra-BRICS sectorial wise cooperation.<sup>5</sup>

### **Sanya Summit**

“It is the overarching theme and strong desire for peace, security and development and cooperation that brought together from four different continents aims at establishing more equitable and fair world. We share the principle that independence,

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<sup>3</sup>BRIC Finance Ministers’ Communique Sao Paulo, November 7, 2008, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL:<http://www.brics.utoronto.ca/docs/081107-finance.html>.

<sup>4</sup> Joint Statement of the BRIC leaders, Yekaterinburg, Russia, June 16, 2009, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL:<http://www.brics.utoronto.ca/docs/090616-leaders.html>

<sup>5</sup>BRIC leaders’ joint statement, Brasilia, April 15, 2010, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/100415-leaders.html>.

sovereignty, unity and territorial integrity of every country should be respected". It has become politically salient and explicit by incorporating South Africa into grouping. In the same year all the five countries sat on the Security Council and for the first time humanitarian intervention tool place in Libya. Besides, for the first time an abstract idea, Responsibility to protect, puts into practice which created deep difference between humanitarian intervention led by the western bloc and Moscow led sovereignty bloc.<sup>6</sup>

### **New Delhi Summit**

Euro zone crisis dominated the global conversation when the leaders met in New Delhi. They agreed to promote intra-trade by reducing reliability on global currency dollar by promoting local currency. Thus five development banks of the five respective countries entered into an agreement. The leaders in this summit exclusively discuss issues among themselves in order to develop common interests concerned with global economic governance ahead of each G20 summit. Also they articulated the interests of emerging and developing countries aspirations in G20 summits. Moreover, in their summits they deal with wide range of issues pertaining to global governance. One can see the effective engagement of the BRICS countries vis-à-vis global institutions like IMF and UN. On the one hand they keep on advocating reform process in those institutions on the other hand, developing and strengthening common interest to set up their own institutions so that developing and emerging institutions no longer rely on the established financial institutions.

Moreover, expressing dissatisfaction over the delaying process of the reforms in global financial governance, agreed upon in IMF quota reforms in 2010. It is noteworthy that the proposal of setting new multilateral development came up in this summit put forth by Indian government instantly approved by members in the grouping. They considered the possibility of setting up New Development Bank for mobilising resources for infrastructure development and sustainable development in the developing and emerging economies of the world.

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<sup>6</sup>BRICS leaders' declaration, Sanya, April 14, 2011, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/110414-leaders.html>.

The summit took a significant step in enhancing intra-BRICS by signing Master agreement between five BRICS development banks. To reduce the reliance on currency convertibility and transaction costs. In other words BRICS countries no longer rely upon the de facto global currency ‘dollar’ in their intra-BRICS trade transactions. The declaration attaches importance to develop infrastructure in African continent in accordance with the New Partnership for Africa’s Development (NEPAD). Keeping in mind of the rapid urbanisation in coming twenty five years all the leaders to work together to cope with urban infrastructure challenges, in a generation time, through friendship cities project.<sup>7</sup>

Prior to G20 summit in Los Cabos the leaders discussed the Euro zone crisis that threatened the global economic security and stability. Thus they agreed to ask their finance and central bank governors to look into possibilities to set up new contingency reserve pool in a manner compatible with internal legal framework to bolster the confidence of the investors.<sup>8</sup>

### **Durban Summit**

The summit took place under the overarching theme of ‘BRICS and Africa: Partnership for Development, Integration and Industrialization’. As it is the continuation of Sanya summit that emphasized the cooperation with African continent. The leaders strongly committed to strengthen the cooperation with Africa under the theme ‘unlocking Africa’s potential: BRICS and Africa Cooperation on Infrastructure’. The summit concluded the setting up of new development and contingency reserve arrangement. The summit acknowledged the importance of State Owned Companies to explore ways in sharing information and best practices. Recognized the role of Small and Medium sized Enterprises in creating jobs, economic growth and individual prosperity.<sup>9</sup>

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<sup>7</sup> Delhi Declaration and Action Plan, March 29, 2012, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/120329-delhi-declaration.html>.

<sup>8</sup> Los Cabos, Mexico, Media Note on the Informal Meeting of BRICS leaders Ahead of G20 Summit in Los Cabos June 18, 2012, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/120618-loscabos-note.html>.

<sup>9</sup> BRICS and Africa: Partnership for Development, Integration and Industrialization – eThekwini Declaration, March 27, 2013, [Online Web] Accessed 5<sup>th</sup> March 2016, URL: <http://www.brics.utoronto.ca/docs/130327-statement.html>.

## **Fortaleza Summit**

The discussion was on ‘Inclusive Growth: Sustainable Solutions’ need to achieve economic growth and sustainable development. The grouping completed its first five years in developing common interests with regard to global challenges and development. Now, with this summit focus is shifting towards other developing and emerging countries in order to fulfil the millennium development goals, exclusively engaging with South American integration process. It is noteworthy that the summit approved the setting up New Development Bank and CRA.<sup>10</sup>

## **Ufa Summit**

Held under the theme of ‘BRICS Partnership: A Powerful factor of Global Development’. The discussions moved much more beyond the earlier summits by consolidating with regional multilateral organizations like SCO and Eurasian Economic Union.<sup>11</sup>

The declarations broadly discuss the issues which are importance of global nature. They are global financial governance including global financial crisis, reform of the World Bank and the IMF, WTO Doha Development round, terrorism, climate change and global development. Therefore, the leaders of the BRICS countries reiterate their commitment to promote multilateralism with the central role played by the UN in solving these challenges.

## **Global Financial Governance**

The financial crisis revealed the shortcomings of the risk management, regulation and supervisory mechanisms in international financial institutions. Thus the leaders demanded the reform of these institutions in order to strengthen the regulatory mechanism to prevent recurrence of such crises in future. They said that the crisis affected all our economies to some extent however; we could show economic resilience during crisis time. The immediate task of the international community to

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<sup>10</sup>Sixth BRICS Summit: Fortaleza Declaration, July 15, 2014, [Online Web] Accessed 2<sup>nd</sup> February, 2016, URL: <http://www.brics.utoronto.ca/docs/140715-leaders.html>.

<sup>11</sup> Ufa Declaration, July 9, 2015, [Online Web] Accessed 14<sup>th</sup> February, 2016, URL: [http://www.brics.utoronto.ca/docs/150709-ufa-declaration\\_en.html](http://www.brics.utoronto.ca/docs/150709-ufa-declaration_en.html).

take necessary steps to prevent the contagion effects of the crisis in a time bound manner.

The leaders opined that one of the deleterious aspects of the crisis is freezes in private capital. Thus, urging the global community on the whole, particularly multilateral institution to lend capital to boost the confidence among the investors which is essential for infrastructure development. Expansion and diversification trade inflows in developing countries are critical to their economies in crisis times. They believe that the protectionism is real threat to global economy hence, work together to immediate “successful conclusion of Doha round agenda with an ambitious, comprehensive and balanced result. The communiqués pointed out that the global economic recovery based on the issuing the major economies currency reserves to share information and technology and policy coordination”.

The reforms of the international financial institutions are to give voice and representation of the developing countries in global financial governance. They share the common view that the global financial institutions should reflect the growing economic of the emerging economies in the global economic governance. “Selection of the IMF and the World Bank heads should be based on an open, transparent and merit”.

### **UN Security Council**

To maintain the order, peace, stability and security the grouping strongly support the multilateralism in international relational in order to resolve the conflicts with the central role of the UN. The communiqués categorically pronounced that the twenty first century global order should be based on equality, mutual respect. The problems should be resolved through political negotiations and diplomatic means rather than military force. They attached importance to the permanent membership of Brazil, India and South Africa in the UN Security Council.

### **Terrorism**

To combat terrorism, the four countries unequivocally support the UN convention on combating anti-terrorist strategy. They believe that terrorism is one of the most

deleterious threats to internal peace and stability. Thus they committed to work towards fight against terrorism and all its manifestations.

### **Sustainable Development**

The declarations of the BRICS showed commitment to achieve the millennium development goals as adopted by the UN General Assembly resolution. “Low-income countries have been hit hardest by the crisis therefore urging the developed countries to minimize the impact on these countries in order to achieve the Millennium Development Goals. Thus, the BRICS countries reiterated that the developed countries should fulfil their official commitment of 0.7 percent of their Gross National Income for the debt relief, market access, and transfer of technology further increase to developing countries”.

To achieve above goals that included in the Millennium Development Goals requires global partnership. Thus, they see the south-south is an advancement element in accelerating development in international affairs. Therefore South-South cooperation can be seen as complementary rather than contradictory to global north cooperation. The leaders expressed their commitment to cooperate with UN framework convention on climate change and its Kyoto protocol and recent Bali commitments.

## **Economic Significance of the BRICS**

As the Human Development Report (2013) mentioned that the rise of the South is an unprecedented in its velocity and scale compared to the United Kingdom (UK) and the United States of America (USA) took 150 and 50 years respectively to double their industrial production. While the Asian countries, China and India took to reach the feat about 20 years. Nadkarni (2013) argues that during the early decades of the nineteenth century Asia produced an enormous amount of global wealth and a considerable percentage of global trade resulting in accounted for 48.9 percent of world Gross Domestic Product (GDP) compared to 33 percent of Western Europe. But, there was a sharp decline in Asia's share of world economy, by the early twentieth century the Asia's GDP fell down to 16.3 percent, whereas the western economy rose to 33 percent of world GDP (Nadkarni and Noonan 2013: 3).

Ever since the beginning of the twentieth century, the western world dominated the global economy. Nadkarni (2013) says that first Asian countries ceded their financial primacy to Europe and later on to the USA. The USA had become pre-eminence power soon after the Second World War surpassing the European world devastated by the war. Subsequently, the Bretton Woods System<sup>12</sup> was set up, at the last phase of the war, to reconstruct the war ravaged Europe and to develop the infrastructure in third world countries. The European economy was recovered from the war ravages by 1960s, whereas the third world countries were not received adequate financial aid from these international financial institutions, the World Bank and the International Monetary Fund (IMF) (Heywood 2011). An addition to it, the development models of the developed countries, "one fits for all approach" benefitted the developed country's economy rather than the developing countries. Thus, the differences persist between the developed and developing countries (Stieglitz 2001).

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<sup>12</sup>The Bretton Woods System (BWS) is the outcome of the Bretton Woods Conference attended from 44 countries dominated by the USA and UK, particularly the US by becoming the pre-eminence power with economic and military weight. The Bretton Woods System consists of the International Bank for Reconstruction and Development (well known as World Bank) to provide long-term investment credit for developing infrastructure projects in the third world countries and the International Monetary Fund (IMF) to provide short-term credit during liquidity pressure and the General Agreement on Trade and Tariffs (GATT) later replaced by the World Trade Organization (WTO) in 1994.

With the collapse of the Soviet Union in 1991 and the Asian Financial Crisis in 1997 and recent Global Financial Crisis in 2008 significant changes occurred in the structure of global financial governance. After the disintegration of the Soviet Union, Russia was included into G8 and the Chinese economy was unscathed from the Asian Financial Crisis later China joined the World Trade Organization (WTO) in 2001. But, the global financial crisis shook the foundations of the Bretton Woods Institutions since the recession badly affected the developed world than any other crisis which occurred in so far. Thus, the 2008 financial depression resulted in waning of western world economy and reducing the legitimacy of the IMF and the World Bank that created a vacuum for developing world to play a decisive role in twenty first century global economy.

Besides, Jim O'Neill, research director for investment bank Goldman Sachs, coined 'BRIC' acronym in 2001, projected that "China would eclipse the US economy and the BRICs economy would be the largest economy in the global economy by 2050 compared to current group of six countries" (G6)<sup>13</sup>. The Goldman Sachs research papers' analyses evince that the twenty first century economy would be BRICS economy because, except the US and Japan no other current developed countries would be figured in the top six largest economies in the world along with the founding four BRICs countries by 2040. As some of their projections have already been vindicated that the countries like China has become the third largest economy in 2007 by overtaking Germany and became the second largest economy next to US by surpassing Japan in 2010. China has also become the "largest foreign reserve sovereign owner of US Treasury" by supplanting Japan in 2009 (Stuenkel 2015).

India and Brazil are listed in top ten largest economies in the world while Russia stands in twelfth position. South Africa is lagging behind of all the countries in the grouping, but its growth will likely to continue for a long time. However, South Africa has become the regional importance of other BRICS countries since the trade relations of BRICs countries, except Russia, with Africa have multiplied from 2010 to 2015.

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<sup>13</sup> G6 consists of the US, Japan, the UK, France, Germany and Italy.



Armijo and Roberts (2014) argue that the importance of the BRICS countries' economy in the global economic structure compare to current established economies in the world:

“China will pass the US in total GDP measured in purchasing power parity (PPP) terms in 2016, and within a decade thereafter in dollar terms at market rates. The highpoint of the US share of global GDP was reached in 1960 at 38.5 percent. It dropped to 22.7 in 2011 and is projected to decline to 17.8 percent by 2030. America's allies are experiencing even more dramatic declines relative to rising powers, with Japan's share of global output falling from 6.7 to 4.2 percent from 2011 to 2030, and the Euro zone from 17.1 to 11.7 percent over the same period. By comparison, China's share is projected to rise from 17 to 27.9 percent and India's share from 6.6 to 11.1 percent; together their share of global GDP in 2030 outdistances the US, Japan and the Euro zone combined. The BRICs have accounted for more than half of global growth since the start of the financial crisis in 2007. In 2020, the four original BRIC countries will rank as four of the top seven economies (in PPP terms), displacing every European power except Germany, which will be surpassed by Russia by 2030. BRIC countries also hold nearly 50 percent of total global hard currency reserves of USD 4.4 trillion, with the lion's share of USD 3.44 trillion held by the Chinese government. The World Bank estimates that by 2030 half the total capital stock of about USD 158 trillion (in 2010 dollars) embodied in investments in factories, equipment, and infrastructure will belong to developing countries, while their share in global aggregate investment activity is projected to triple to three-fifths, from one-fifth in 2000. Of this amount, China will account for 30 percent of global investment, while estimates for Brazil, India and Russia combined amount to an additional 13 percent. For the present, the US remains *primus inter pares*, but with declining relative shares of power, while Japan and particularly the major European countries are slipping ranks more rapidly (Armijo and Roberts 2014: 4)”.

On the basis of rising BRICs economies, along with Jim O'Neil's suggestion is to include the BRICs into international financial system. The developed countries began integration process with the “Outreach” process in 2003 when Brazil, India and South

Africa were invited as observers to G8 meeting held at Evian. Prior to Evian summit, other than the G8 countries used to be invited on an ad hoc basis hence, it was considered as “Western Elite Club” as G8 was not reflecting the changing conditions of the global economy. The emerging economies point out that the G8 had not changed fundamentally since its inception. Subsequently, in 2005 Tony Blair invited all the BRICS countries including Mexico to G8 Gleneagles summit. The BRICS countries felt that the invitations for G8 summits were “mere symbolic” as the invitations had not brought any significant changes in the global economic governance (Stuenkel 2015: 5).

Meanwhile, the BRICs grouping started organizing informal meetings on the side lines of either the UN General Assembly<sup>14</sup> or standalone meetings. The meetings showed the discontentment of the developed countries ‘outreach’ process because the countries like “Brazil, China and India have 20 per cent less clout in the IMF though, their economies are four times the size of Netherland, Belgium and Italy once currency differences are adjusted”.<sup>15</sup>

To address the discontentment among the developing countries the G8 came up with another process called “Heiligendamn Dialogue Process” in 2007 representing a move towards more structured interaction between developed and developing countries especially the five countries, Brazil, India, China, South Africa and Mexico, with “Outreach 5<sup>16</sup>”. The ‘Outreach 5’ concept was excoriated by the emerging countries as it did not integrate them into global financial system. Moreover, at the outset hosts of the G8 summit at Heiligendamn, Germany made it clear that the ‘Outreach 5’ did not guarantee the candidate status to these five countries<sup>17</sup>. Brazil’s Sherpa, Maria Reis, pointed out that the “emerging powers were merely invited to be informed rather than actively participate in the debates”<sup>18</sup>.

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<sup>14</sup> For the first time informal meeting was organized with the initiation of Russia on the side lines of sixty-first UN General Assembly in New York.

<sup>15</sup> Ibid, p. 5.

<sup>16</sup> The concept of Outreach5 denotes that the developed countries invited emerging economies to attend G8 meetings.

<sup>17</sup> Ibid, p. 11.

<sup>18</sup> Ibid, p.5.

Meanwhile the foreign ministers of BRICs countries' caucuses were taking place, they were hardly paid attention by the international media. Nevertheless, the caucuses augmented their approach towards global financial system. As the developments of the informal meetings can be seen in organising the meetings by the finance ministers and central bank governors with the initiation of Brazil held, first of its kind, in May 2008. Thus, the year 2008 had made much headway in BRIC grouping because of Lehman Brothers bankruptcy and the eruption of subprime mortgage crisis which dominated the BRICs meetings. As a result, international investors started looking at the emerging economies like BRICs for safer investment environment.

Moreover, at the same time the BRICs countries shown an impressive economic growth on an average 10.7 percent per year from 2006 to 2008 (Stuenkel 2015: 26). The global economic environment "struggling core and prospering periphery" created a window of opportunity for the BRICs to sharpen their views with regard to global economic governance. Given the global economic turmoil, the finance ministers of four BRIC countries, as a group, began meeting regularly prior to G20 meeting in order to press their demands during G20 meetings. By the end of 2008 the grouping could establish a working cooperation to influence the G20 meetings' agenda by using BRICs constellation as a vehicle. The economic recession deepened the grouping coordination as the declarations of formal meetings of BRIC grouping resulted in organizing the first BRICs summit held in Yekaterinburg on 16 June 2009<sup>19</sup>.

Soon after this summit, G8 was replaced by G20, as a premium global economic forum, by including all the BRICs countries. As the enlargement of G8 by including BRICs countries described by the Brazilian policy maker "BRICS platform was a child of the G20 which, in turn, is a child of the crisis". As Armijo and Roberts (2014) say that the enlargement of G8 to G20 recognizing, for the first time, the BRICs countries' economy in global financial structure (Stuenkel 2015: 15).

A few months after BRICs first summit<sup>20</sup> all the substantive recommendations of the BRICs were accepted by the G20 leaders at the London Summit. The quota reform

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<sup>19</sup> Ibid, p.34.

<sup>20</sup>The first summit held in June 2009 at Yekaterinburg, Russia after which G20 London summit held in September, 2009 wherein key recommendations put forth by BRIC countries were accepted including IMF quota reforms.

brought some significant changes in the global governance by increasing six percent of quota in favour of large emerging economies. The changes certainly benefitted the BRIC grouping “China became the third-largest shareholder overtook Germany, while Russia, India and Brazil entered the list of ten most important shareholders”. With this weight in quota share in the IMF, the BRIC grouping became “agenda setters in global financial governance” whereas the IMF hailed the realignment in quota share as “historic” as it reflects the growing weight of the emerging economies in global economy<sup>21</sup>.

However, the BRICs countries disappointed with the delay in reforming the global financial system. As they believed that their accumulated contribution around 400 billion dollars to IMF would benefit their economies in the long-run like increasing their clout and weight in global financial institutions. The grouping perceive the recent increase in voting share in the IMF that it does not alter the fundamental character of the functioning the IMF (Haibin, 2012). The majority of decisions requires 85 percent of votes interestingly, US alone has more than 16 percent voting share in the IMF since without US support it is impossible to approve any decision. In other words, the US has unofficial veto power in the IMF (Biswas, 2015).

Thus, the declaration of the second summit states that “we call upon all its member states to undertake further efforts to implement jointly the decisions adopted at the three G-20 summits”<sup>22</sup>. By witnessing the delay in reform process in the IMF and the World Bank, the BRICs countries decided to promote intra-BRICs trade as Medvedev said that “use a mix of regional reserve currencies to reduce reliance on dollar”. The intra-BRICS trade strengthen their positions in global economy along with developing their common interests in global economic governance.

As President Lula said that “we have shown robust growth. Trade between us has increased 500 percent since 2003”. China had already signed a deal with Brazil, which is about the transactions to be conducted in Brazilian “Reals” and the Chinese “Yuan” (Stuenkel 2015: 27). An addition to it, the reform promises were made by

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<sup>21</sup> Press release, IMF quota reforms 2010.

<sup>22</sup> After promising to implement the key recommendations of the BRIC countries at G20 London summit, the BRIC summit held at Brasilia, Brazil in 2010 where the leaders of the four countries reiterated that the recommendations to be implemented within time period.

developed countries in 2010 IMF quota reforms to reform the existing international financial institutions in order to reflect the changing realities of the current world economy. However, the large portion of the promises was unfulfilled apart from delaying the reform process subject to approval of the US congress. The reform process further delayed due to the US presidential elections in 2012 as the issue was put off. Moreover, the US congress was deeply divided on this issue. The BRICS were deeply disgusted with this delay in the reform process.

Eventually all these events cumulatively lead to think of their institution to meet their developmental needs. It is not only the inadequate policies of the Bretton Woods system that the BRICS development bank was created, but also the growing weight of the developing and emerging economic countries in global economy in the last one decade bolstered their capacity to create their own financial institution (Stuenkel 2015). With the setting up their own development bank, developing and emerging economies of the world no longer rely on the existing financial institutions to meet their developmental needs. The creation of the New Development Bank can be seen as the global financial development architecture being shifted from the developed economies to emerging economies. The global financial architecture began by establishing the Bretton Woods system to reconstruct the war devastated Europe and to develop the third world. Similarly the NDB was launched to develop the infrastructure in BRICS and other developing countries. Particularly the 2007-08 crises forced the developed countries to rethink of their development models. Given the circumstances the developing and emerging economies of the world moving towards the macroeconomic policies where regulated market plays a decisive role in sustainable development (Heywood 2011).

Besides, the emerging and developing countries have large amount of foreign exchange reserves, which largely invested in developed countries which hardly benefitting their developmental needs. Thus, the BRICS countries decided to use their financial resources constructively by creating the NDB and the Contingency Reserve Arrangement in order to meet their development needs as well as to protect their economies from future financial crises. The idea of setting up the New Development Bank came from the global northern scholars like Stiglitz, Stern and Romani. In fact,

they have campaigned for the need to set up the new development bank in current global economy (Jones 2014: 1).

Indian government proposed a proposal based on the scholar's view to create a new development bank in New Delhi summit in 2012<sup>23</sup>. The five countries in New Delhi summit considered the concept of creation of a new development bank; initially it was referred as BRICS Development Bank. It also asked the policy makers of finance and foreign ministries to look into the possibilities of setting up a new development bank. The policy makers submitted the report stating that the setting up a new development bank is "feasible and viable" in the current global economy. The report was submitted by 2013 Durban summit ever since the policy makers of the five countries began working on formalities to set up the new development bank. As a result the new development bank was launched along with the Contingency Reserve Arrangement in the Fortaleza summit in July 2014 with the "Inter-Governmental Agreement (Stuenkel 2015: 107)".

### **New Development Bank**

With the creation of the BRICS New Development Bank (NDB) is the significant step towards beginning of the institutionalization process of BRICS grouping. As the NDB alters fundamental characteristics of grouping merely confined to non-binding and informal consultations thus far. The New Development Bank aims at "mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries". As historical evidence shows that the infrastructure is crucial for economic growth and development. Thus, the already existing regional multilateral development banks like European Investment Bank (EIB) and the CAF focused on infrastructural development in Europe and Latin America regions respectively.

Jones (2014) examines the existing regional and multilateral development banks initially invested in the infrastructure development projects to bridge the gap between the rich and poorer areas of the Europe. He says that the increasing divergence

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<sup>23</sup> Based on the global northern scholars like Romani, Stern and Stiglitz, the Indian government put forth the proposal to look into the possibilities of setting of BRICS development bank to cater the developmental needs of the BRICS and other developing countries. The proposal was also strengthened by the intra-BRICS trade and cooperation and spill over effects helped in reducing the trust deficit.

between rich and poorer areas becomes an obstacle for the economic growth and trade liberalization. He cites examples like European Investment Bank and the World Bank exclusively focused on the reconstruction of the war ravaged infrastructure in Europe. Abundant empirical evidence evinces that the investment in the infrastructural sectors accelerates the economic growth and reduce the inequalities of the countries. Similarly BRICS NDB solely focuses on the needs of the infrastructural development in emerging and developing countries to foster the economic growth and reducing the inequalities.

However, later on the focus of the development banks' lending has been shifted from infrastructure development to other social sectors such as sustainable development. But the NDB focuses on infrastructure as well as sustainable development needs in developing countries. Since, there are largely unmet needs in these countries by already existing development banks, bulk of the people in developing and emerging countries are poor for whom infrastructure is an essential tool to access the basic services. That is why the BRICS bank is to focus more on infrastructure and sustainable development is based on the need for "growth, structural change, inclusion as well as sustainability and resilience". In terms of infrastructure still 1.4 billion people are not in a position to access the electricity, clean drinking water is not accessible for 0.9 billion people and the 2.6 billion people do not have adequate sanitation facilities (Stephany 2014:04).

In the next thirty years around two billion people are moving to urban areas in emerging and developing countries. The massive urbanization requires huge infrastructural investment. The current spending on infrastructure US \$ 0.8-0.9 trillion or three per cent of EDC's GDP annually, which needs to be increased to approximately to USD 1.8-2.3 trillion or three per cent of GDP to 6-8 per cent of GDP share in EDC's including the US \$ 200-300 ensures the results in low emission in the infrastructure development and the resilient to climate change as well. The main source of finance investment in infrastructure at present are national government budgets providing US \$500-559 billion annually, while next main source is private finance is estimated to provide US \$150-250 billion annually<sup>24</sup>.

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<sup>24</sup> United Nations (2014), *A BRICS Development Bank: A Dream Coming True*, United Nations Conference on Trade and Development: Geneva, Discussion Papers, No. 215, p. 6.

The BRICS countries as well as the potential contributors of the NDB could increase their capital and trade by investing on long term infrastructure projects in emerging and developing countries. As it is earlier mentioned that the improving the infrastructure can foster the growth and trade. Therefore the new development bank came into existence to fill the existing financial gap approximately US\$ 1 trillion annually in development financial architecture in the current world economy.

The initial authorized capital of the NDB is US \$ 100 billion as the initial subscribed capital of the bank US \$ 20 billion shared equally by the five BRICS countries. The initial subscription is paid in capital is paid in seven instalments, remainder would callable capital. The details of the seven instalments are given below in the following table.

**Table 1. Payment of Initial Subscriptions to the Paid in Capital by the Founding Members**

<b>Instalment</b>	<b>Paid in capital per country in million US dollars</b>
1	150
2	250
3	300
4	300
5	300
6	350
7	350

Source: <http://www.brics.utoronto.ca/docs/140715-bank.html><sup>25</sup>.

### **Voting Rights**

The chief concern of the creation of the bank is to bridge the gap between the developed and developing countries share in the global economy. As developing countries argue that the current economic structure is not reflecting the growing weight of developing countries. The asymmetry in terms of voting rights is clearly

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<sup>25</sup>BRICS Fortaleza summit (2014), “Agreement on the New Development Bank”, [Online Web] Accessed July 20, 2016 URL: <http://www.brics.utoronto.ca/docs/140715-bank.html>



seen in the IMF and the World Bank. The participation in the new development bank is equality based participation unlike the IMF and the World Bank. While in the IMF and the World Bank member states are given voting rights based on their economic weight. Particularly the US has veto power in the World Bank it can stall any decision which, the US assumes, is likely to impede their interests. Even in the IMF, the US has more than sixteen percent votes most of the important decisions require eighty five percent votes where the US has an unofficial veto power. It is described as grossly undemocratic and undermining the global financial governance. After prolonged demands put forth by developing countries to change this undemocratic voting system of the western countries, particularly the US and the EU (Biswas 2015).

It is noteworthy that the agreement on IMF quota reforms 2010 disappointed the developing countries, particularly emerging economies like BRICS countries. It is seen from the BRICS perspective that the current global order is controlled and manipulated by the developed countries to serve their own interests. In its place they articulate a vision of a more democratic, just, fair and representative global order in which all countries participate equally and which serve their interests of rich and poor alike.

**Table 1.2 BRICS Voting Rights in the IMF Compared to GDP in US Dollar terms as of August 2014:**

<b>Country</b>	<b>Percent of share of IMF Voting Rights</b>	<b>Percent of share of World GDP</b>
China	3.81	12.4
India	2.34	2.6
Russia	2.39	2.8
Brazil	1.72	3.0
South Africa	0.78	0.5
<b>Total</b>	<b>11.04</b>	<b>21.2</b>

*Source:* Biswas, Rajiv (2015), “Reshaping the Financial Architecture for Development Finance: The New Development Banks”, *LSE Global South Unit*, Working Paper Series, Working paper No. 2/2015.

The above table depicts the asymmetry of the BRICS countries’ GDP share and their voting share in the IMF. Despite the developing countries continuous efforts to change the uneven distribution of the established governance structure but the results

are glacial. Biswas (2015) argues that the combined GDP of China and India share will be over 25 per cent of world GDP by 2025 but their share in the IMF voting rights merely 6.15 per cent at present. China alone will be the world largest economy by 2025. Unless the developed countries take into consideration that the growing weight of the BRICS countries the asymmetry can be challenged through the development bank and the CRA (Biswas 2014: 4).

It is interesting to note that the developed countries like France have more voting rights than China in the IMF. The GDP of France is one third of the Chinese GDP size, but the France has more voting rights than China. Despite China being the second largest economy next to the US, China has just 3.81 per cent, whereas the US has 16.41 per cent vote share in the IMF. If at all, it is the economic weight of the member states that determines the voting rights of respective countries China could have more voting share. But it is not the case, thus the developing countries recognize the importance of the reforms for ‘the credibility, legitimacy and effectiveness of the IMF<sup>26</sup>.

### **Selection Procedure and Consensus in Decision Making**

Thus, the BRICS countries communiqué states that “the heads and senior leadership should be appointed through an open, transparent and merit-based selection process (Coning 2015: 38)”. The five countries urge that the IMF and the World Bank staff need to represent the geographical diversity as the current staff of the institutions comprise largely from the western countries only<sup>27</sup>. Despite the efforts of the US president in nominating the Korean ethnic of the US citizen to be the President of the World Bank, it does not alter much of the functioning character of the bank (Stuenkel 2015).

Whereas the New Development Bank consists of the first chair of the Board of governors is Russia, Brazil is holding the first chair of the Board of Directors. The first president of the bank is from India whereas headquarters is located in Shanghai.

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<sup>26</sup>Biswas, Rajiv (2015), “Reshaping the Financial Architecture for Development Finance: The New Development Banks”, *LSE Global South Unit*, Working Paper Series, Working paper No. 2/2015.

<sup>27</sup> Coning, de Cedric. et.al. (2015), *The BRICS and the Coexistence: An alternative vision of world order*, New York: Routledge.

Regional centres' headquarters is in South Africa. It implies that the inherent hegemonic nature of the IMF and the World Bank led by the US in locating and heading the IMF and the World Bank always European and American respectively. It could be seen as the clandestine agreement between the Europe and the US to use the Bretton Woods system for their vested interests at the cost of rest of the world. It has been the bone of contestation between the global north and the south. The NDB's regional headquarters is located in South Africa, although, it's economic contribution is small compare to other members of the grouping (Stuenkel 2015).

### **Policy Conditionalities and Lending Process**

The development models of developed countries in connection with the Washington Consensus affected badly the emerging and developing countries in the world. As declarations of the summits state that the “poorest countries had been hit hardest by these conditionalities”<sup>28</sup>. Noted Nobel laureate Stiglitz narrates the harmful effects of the conditionalities in lending process how they affected in several developing countries such as Mexico in 1984 and Russia in 1997 (Stiglitz 2002). Globally acclaimed non-governmental organizations and popular civil society groups many a time demonstrated against the Washington consensus based development models. Particularly the demonstrations are widespread in the cities like New York and London (Baylis and Smith 2001). Likewise, the BRICS countries have the similar memories of IMF and the World Bank policy conditionalities.

Thus, BRICS countries have followed different development models, Brazil and India followed the governance model which lies between the neoliberal development model and domestic institutional structure while Chinese economy is State regulated economy. It is because of the growing weight of grouping in global economy that augmented their capacity to strongly advocate for state regulated economy than neoliberal economic policy model. As BRICS countries affirm that the conditionalities undermine the sovereignty of the recipient countries. Thus, the new development banks unequivocally oppose the conditionalities and uphold the

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<sup>28</sup>BRICS Yekaterinburg summit (2009), “Joint Statement of the BRICS Countries’ Leaders”, [Online Web] Accessed July 20, 2016 URL: <http://www.brics.utoronto.ca/docs/090616-leaders.html>, Para 6.

“sovereignty and territorial integrity” of the recipient countries in its lending process (Mielniczuck 2013).

According to Stuenkel (2015), the New Development Bank differs from the traditional donors in following three ways. “The first is to focus on “mutual benefits” as against the benefiting the affluent countries and affecting the poor countries. Secondly, financing without any formal policy conditionalities is complementing the foreign direct investment. Third one is emphasis on micro sustainability than the long-run debt sustainability”. The lending part of the development bank is substantially differs from that of the existing development model policies as the bank is likely to follow the individual development strategies rather than “one fits for all” approach. Renowned economist Joseph Stiglitz categorically said that it is because of the developed countries conditionalities the poverty of the developing countries increased rather than reduction. He cites an example of Russia in 1998 when Russia was witnessing the widespread unemployment despite it followed the neo-liberal development model referred as “Shock Therapy” while an unprecedented poverty decline in China following its own kind of capitalism also known as “Beijing consensus”<sup>29</sup>. Keeping in mind of the harmful effects of the western development model, new development bank decided not to put formal conditionalities on lending projects. Besides, the bank focuses on long-term infrastructure projects unlike short-term projects encouraged by the developed countries. As a result, almost all the developing countries under tremendous pressure in repaying the balance of payments in short span of time. In protecting from these untoward foreseeable balances of payments the CRA was created in order to face any financial crises in future.

### **Contingency Reserve Arrangement**

The Contingency Reserve Arrangement (CRA) is to tackle future economic crises in the world, particularly providing financial aid to the developing and emerging economies whenever they face the balance of payments and short-term liquidity pressures. The creation of CRA is an encouraging step towards the filling the gap in Southern financial funding architecture. The CRA provides not only financial aid to developmental activities in developing countries but, also bolsters confidence among

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<sup>29</sup> Stiglitz, Joseph (2002), *Globalization and its Discontent*, New York: W.W. Norton & Company.

investors to investment in developing even during times of crisis (Jones 2014). In other words, the NDB and CRA play a similar, if not the same, role to that of World Bank and IMF respectively.

The creation of CRA is a relatively recent idea, compare to NDB, as it was discussed in Los Cabos in 2012 by the BRICS leaders prior to G20 summit. At that time global economy was in flux owing to Euro zone crisis. Thus, the leaders agreed to cooperate and also to increase their available reserves with the IMF to solve the crisis. Then the BRICS leaders realised the necessity of the multilateral institution to enhance the confidence among the investors. Therefore the creation of new reserve pool is not necessarily contrary to the existing IMF rather burden sharing and additional line of defence of further crisis times. That is how the leaders asked their finance and central bank governors to find out the possibilities of creating CRA in the existing global financial system in accordance with the internal legal frame work<sup>30</sup>.

Based on the finance ministers and central bank governor's report as well as the previous experiences of the crises over the past decades, the leaders of the BRICS agreed to establish a Contingency Reserve Agreement at the Durban summit in 2003. The CRA was launched on the lines of the Chiang Mai Initiative (CMI), signed an agreement between the ASEAN+3 (China, Japan and South Korea) countries soon after the Asian financial crisis, in 2014 at its Fortaleza summit, in Brazil. The objective of the CRA is to "support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures (Stuenkel 2015: 113)". The initial capital of CRA is US \$ 100 billion lion's share is contributed by China \$ 41 billion followed by Brazil, India and Russia US \$ 18 billion each and South Africa contributes \$ 5 billion<sup>31</sup>. The contribution of capital to CRA is unequally share among members unlike NDB. The CRA starts functioning sooner than the

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<sup>30</sup> BRICS Las Cabos meeting (2012), "Media Note on the Informal Meeting of BRICS Leaders' ahead of G20 Summit in Los Cabos", [Online Web], Accessed July 20. 2016 URL <http://www.brics.utoronto.ca/docs/120618-loscabos-note.html>

<sup>31</sup> BRICS Fortaleza summit (2014), "The 6<sup>th</sup> BRICS Summit: Fortaleza Declaration", [Online Web], Accessed July 20. 2016 URL <http://www.brics.utoronto.ca/docs/140715-leaders.html>.

NDB as the capital cannot be collected physically so the capital can be held in respective national banks<sup>32</sup>.

The creation of CRA is seen as a challenge to existing financial architecture. The lending process of the CRA is not attached with conditionality as the conditionality is prerequisite of IMF lending process. The BRICS share the strong perception that the conditionalities not only undermine the democracy and self-determination of the countries but also become tools for the dominant countries to dominate the poor countries. Thus, the BRICS countries promote the principle of ‘sovereignty’ of recipient country otherwise the conditionalities can be seen as the interference in internal affairs of the sovereign states<sup>33</sup>.

Moreover, the Indian media reported the creation of reserve pool is a major win for India’s campaign for reforming the global financial architecture. But, in so far there are no such political implications were found. Besides, the CRA is seen as an offshoot of the IMF since only 30 per cent of the quota is accessible without the IMF linkage, if it is more than 30 percent then must meet the IMF programs. Despite this additional line of defence, the CRA has the potential to challenge the IMF because the BRICS countries have abundant foreign exchange reserves if they use their 16 percent of their foreign exchange reserves it would be more than current IMF reserve pool (Jones 2014).

The creation of the NDB and CRA is seen as the growing weight of the BRICS countries in global financial system. Prior to BRICS formation, the five countries have been demanding their due share in international financial institutions but their demands are largely ignored by developed countries. Although, developed countries invited BRICS countries to attend G8 meeting with the ‘outreach’ concept to integrate their economies into the global economic system. The developed countries, on the one hand, inviting emerging economies to G8 meetings, on the other hand, categorically stating that mere invitations did not assure the membership status in global financial forums like G8. Thus, BRICS countries felt that invitations were mere symbolic they did not bring any substantial changes in the global economic governance.

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<sup>32</sup> Stuenkel, Oliver (2015). *The BRICS and the Future of Global Order*, New York: Lexington Books.

<sup>33</sup> Ibid.

However, with the financial depression the grouping got an impetus to their demands regarding the reform process in global financial system. In fact, the economic recession created a window of opportunity to BRICS countries to raise with one voice in global financial meetings. Meanwhile the BRICS countries started meeting frequently from 2008 onwards and expanding its activities from foreign affairs ministries to finance ministers and central bank governors. The meeting of the finance ministers and central bank governors exclusively focused on to modify the existing global economic structure in order to make it more representative and transparent. Addition to it, the BRICS was showing economic resilience when the developed core was struggling due to financial depression resulted in making G20 as premium global forum to tackle financial crisis. Also, it was accepted BRICS' substantive recommendations in London summit including IMF 2010 quota reforms.

Nevertheless, delay in the reform process which is involved in political approval by the national legislatures, particularly the US congress which deeply divided on this issue. Whereas the economic prosperity of BRICS countries and delay in the reform process in IMF led the BRICS leaders to seek an alternative multilateral institutions to cater their infrastructural needs. Therefore, the leaders came to a conclusion based on the finance ministers and central bank governors report wherein they stated that the creation of NDB and CRA, in Durban summit, is 'feasible and viable' that setting up a multilateral financial institution to develop infrastructure not only in BRICS but also in other developing and emerging countries. It is the common perception of the BRICS countries that the Bretton Woods System to did not provide enough financial aid to underdeveloped countries to develop infrastructure whereas the European could recover from the war rages by 1960s.

Thus, the New Development Bank is precisely focusing on developing infrastructure in developing countries. As the developing countries are to accept certain policy conditionalities in order to get loans from IMF and World Bank. The NDB unequivocally opposes the conditionalities rather encourages the country-specific development approach. As the developed countries follow 'one pits for all approach which brought lot of backlash from the developing countries. Therefore the NDB lending process certainly challenges the existing lending procedure of the established financial institutions. Besides, the BRICS countries have abundant foreign exchange

reserves if they use 16 percent of their total reserves it would be more than IMF current reserves which is challenging aspect of BRICS economy to existing financial architecture.

In coming thirty years over two billion people move to urban cities in the developing world. Therefore the massive urbanisation creates many infrastructural problems in developing countries. Thus, NDB exclusively focuses on infrastructure development projects in these countries. So the developing can longer contingent upon the established financial institutions to cater their infrastructural needs. An addition to it, the NDB funding on infrastructure development is not in connection with policy conditionalities as the conditionalities are the prerequisites of the World Bank and the IMF lending. The NDB regional headquarters is located in South Africa which requires more infrastructure than any continent. So the African continent's infrastructural needs largely met by NDB's funding rather than rely on the World Bank and the IMF. Thus, the NDB diminishes drastically the World Bank and the IMF lending activities in the developing countries particularly in African continent.

The BRICS countries' core perception is that conditionalities diminish the principle of state sovereignty and territorial integrity. Thus, NDB gives utmost importance to sovereignty and integrity of the recipient countries. Besides, the BRICS countries opine that the conditionalities make elected governments inconsequential by making recipient states subservient to international market economy. Moreover, the initial authorized capital of NDB is shared equally by all the BRICs countries. And also the decisions are taken on the basis of unanimity, no country has veto power in decision-making process. In the World Bank and the IMF the developed countries have more weight in the decision-making process which is in disproportionate to their economic weight. The countries like Belgium, Canada, France, Germany and Italy have more representation and voice than the countries like Brazil, China and India though later countries' economies larger than former countries. Thus, the BRICS countries often criticise the existing economic system as it is no longer reflecting the growing weight of the developing countries. Therefore, the creation of NDB and CRA can be seen as an alternative to existing financial institutions because the two bodies fundamentally contradict the functioning character of the global financial architecture.



## Political Importance of the BRICS

The early years of the twenty first century witnessed some of the significant changes in the global economic and political landscape such as the 'BRIC' acronym coined by Jim O'Neil<sup>34</sup> in 2001, in the same year terrorists attacked the World Trade Centre in New York. In response to terrorist attack the United States (US) declared "global war on terror"<sup>35</sup>. And also the concept of "Responsibility to Protect (R2P)"<sup>36</sup> was coined in 2001 to protect the civilians from ethnic cleansing, communal riots and civil wars, etc. Ideally, the concept of R2P was accepted, in principle, unanimously by the United Nations (UN) General Assembly in 2005. However, it has become highly controversial when this abstract idea puts into practice. These two issues, the BRIC acronym and the R2P, are becoming increasingly influential in international politics. Since the acronym gives the legitimacy to the rising economies as the "Goldman Sachs has been cited one of the most admired and influential companies in the world with intimate ties to global elites" and the R2P has become the "tussle between the western-led interventionist bloc and the sovereignty bloc led by Moscow and Beijing in the UN Security Council".

The post-cold war period is described as US led unipolar world. Scholars like Wolf argues that the post-cold war period is unambiguously unipolar world since the US has much larger superiority over its immediate potential rivals like Germany, France, Japan and China. He says that the US spending on military technology is unmatched to that of Chinese spending. Similarly, but not the same fashion, Samuel Huntington describes the post-cold war era is uni-multi-polar world where US may need the help of the small states to achieve its goals. However, US is the only super power it could

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<sup>34</sup>BRIC acronym coined by Jim O'Neil in 2001 in his paper titled "Building better BRICs" estimating their economic output would surpass the G7 by 2050.

<sup>35</sup>The term "Global War on Terror" first used by US President George Bush in response to terrorist attack on New York City. He urged the international community to fight against terrorism and promised the Americans that the US government make all adequate efforts with the support of its allies to be held accused accountable.

<sup>36</sup>The concept of Responsibility to Protect was the result of the civil strife which was occurring in many parts of the world, particularly in Africa in the last decade of the twentieth century to prevent this manmade disasters UN under the aegis of Kofi Annan, the then Secretary General, approved this concept in 2005.

deploy its military personnel far away regions in the world as which is the classic characteristic of unipolarity is seen in the invasion of Afghanistan and the war on Iraq. Eventually, the ill-conceived military arrangements in the regions affected its economic system. As Acharya puts it “the decline of unipolarity is not of an isolationism but an adventurism (Stuenkel 2015)”.

However, Armijo and Roberts (2014) argue that in many respects the US is still predominant power:

“It is the world’s sole contemporary superpower. Although it is experiencing relative economic decline vis-vis large, faster growing states, the US still possesses notable advantages in the global arena, including an open, innovative economy, favourable demographics, strong democratic institutions, a capable military with global reach, and the American dollar. With a 2012 defence budget of \$ 645 billion, the US spends more on its armed forces than the next 15 countries combined at approximately 5 percent of GDP. China’s double digit annual growth in defence spending, if sustained, will not approach US levels until around 2025. Moreover, US dominance of the major post-World War II institutions of global governance has proved resilience for the first two decades into the 21<sup>st</sup> century (Armijo and Roberts 2014:5)”.

The repercussions of the international war on terrorism, the US invasion of Afghanistan, in the region can be seen as the emergence of the multipolar world because the trilateral cooperation of the Russia, India and China (RIC) began soon after the cold-war. The RIC’s interactions began way back in 1996.<sup>37</sup> The principal agenda of RIC is to oppose the “unilateralism and promote a pluralistic democratic international order” (Kundu 2012). The war on terrorism was an important issue of discussion in the trilateral meeting of the foreign ministers in 2001. Kundu (2012) says that the three countries believe that the threats and risks cannot be addressed through military force alone but need to understand them from political, social and economic prisms. Both, the President Yeltsin and Prime Minister of Russia advocated and supported the idea of multipolarity in the post-cold war period. The then Prime

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<sup>37</sup>Kundu says, in an article titled ‘RIC trilateral: set to scale new heights’, that Russia, India and China (RIC) trilateral cooperation began way back in early 1990s. The primary objective of RIC trilateral meetings is to promote multipolarity and oppose the unipolarity in the post-cold war period.

Minister of Russia, Primakov championed the concept of multipolarity in the contemporary international politics<sup>38</sup>.

The concept of multipolarity became explicit when Brazil added to RIC category (RIC + Brazil) by turning an investment category into political reality in 2006<sup>39</sup>. In fact, many observers like Lioys and Turkeltaub raised doubts about the inclusion of Brazil to RIC, since the bilateral ties between Russia and Brazil are largely insignificant. And also no way the Brazil is intricately related to security issues of the three countries. As John Lloyd and Alex Turkeltaub said that the Brazilian economy depends on the commodity exports which account for forty percent of all exports. The economy could repeat boom and bust cycle unless restructure its economy, improve governance and infrastructural investment. However, they stated that the membership of the grouping implies underestimating these risks (Stuenkel 2015: 10). In other words, it considered the political aspects rather than economic interests because the then foreign ministers of Russia and Brazil, Sergey Lavrov and Celso Amorim respectively were an instrumental in initiating the BRICs meetings<sup>40</sup>. Thus, they were considered as the intellectual political architects of the BRICs grouping.

The BRICs grouping gets the geographical diversity and global visibility by the inclusion of South Africa into the grouping. On both sides, BRICs and South Africa, were conducive to include South Africa since South Africa has been engaging with other BRIC countries through various platforms, for long time, like India, Brazil and South Africa (IBSA) Dialogue Forum<sup>41</sup> and the Brazil, South Africa, India and China (BASIC)<sup>42</sup> on several issues of global importance including the reform of the UN Security Council and the climate change talks. The consistent interaction with BRICs

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<sup>38</sup>Primakove has elaborately given the meaning and scope of the concept of multipolarity Russia has been vanguard in promoting multipolarity.

<sup>39</sup>The addition of Brazil into RICs surprised many observers like Lloyd since there were nothing impressive bilateral relations between Brazil and Asian countries. Also geo-strategically Brazil is situated too far from these countries. However, ever since addition, ties and trade between increased significantly.

<sup>40</sup> Both were former diplomats and served in New York to the UN.

<sup>41</sup> IBSA Dialogue Forum, tripartite grouping, was formed in 2003 to promote South-South cooperation among Brazil, India and South Africa.

<sup>42</sup> The four, Brazil, South Africa, India and China, newly industrialized entered into an agreement in 2009 to work for common position on reducing carbon emissions in accordance with Copenhagen Accord.

grouping provides an opportunity to South Africa to join the grouping. The interaction between the BRICs countries is reflected when the South Africa foreign minister wrote a letter to all the four countries to express the wish to join BRICs. Consequently in Brasilia, President Jacob Zuma had bilateral talks with all the BRICs countries during the IBSA Dialogue forum meeting.

Moreover, except Russia, remaining three countries Brazil, China and India had largest trade partners in Africa. China overtook US in 2010 by becoming the largest trade partner of Africa, Brazil and India rank in top ten trade partners in the continent. The trade was set to increase in 2010 from “USD 150 billion to 2015 USD530 billion. Not only in trade but politically also South Africa is influential in African continent. As South African policy maker describes the “South Africa’s destiny is tied to Africa’s destiny”. It is not just rhetoric South Africa regularly meets its neighbour before attending the G20 and BRICS meetings in order to articulate the aspirations of the African people. Though, South Africa’s regional leadership remains contestable but it considerably contributed to promote peace, security and stability in Africa shifting from “non-interference to non-indifference” in the post-cold war period. Apart from it, South Africa’s permanent candidacy in the UN Security Council was endorsed by the African Union in 2010 gives the regional legitimacy and representation to it and the grouping on the whole. Later on in 2012 elections, South Africa was to head the African Union shows its regional political importance (Stuenkel 2015).

All these cumulatively overlooked the mere economic significance of other qualified emerging economies like Indonesia, Mexico, Nigeria and Turkey and so on. Even Jim O’Neil himself has shown dissatisfaction over South Africa’s incorporation into BRICs grouping (Singh 2013). Neil argued that South Africa did not even qualify to be part of Next 11 (N11)<sup>43</sup> which himself coined. Being an economist he devised the ‘BRIC’ acronym based on BRICs countries economic growth, GDP and purchasing per capita income and so on but not considering the political aspects which dominated the grouping more than mere economic considerations to include South Africa. Thus the political implication of South Africa is seen as giving the “regional representation

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<sup>43</sup> Jim O’Neil coined another acronym, Next 11, after the BRIC.

and global legitimacy” while having the largest Africa’s GDP not figured in the world largest economies (Stuenkel 2015).

As Stuenkel (2015), cites three notable reasons for the inclusion of South Africa. Firstly, the inclusion of South Africa into grouping weakens the Huntington’s<sup>44</sup> civilizational aspect in international politics as the five countries hail from different civilizational back ground which radically differs from the common alliances in international relations. Secondly, drastically changes Africa’s donor-recipient relationship with the western world by replacing the South-South cooperation based on “an equal and mutually respectful partnership”. Finally, the assuming ownership of the acronym by including South Africa and supporting its permanent membership status in the UN Security Council by the Russia and China to play a formidable role in contemporary international politics (Stuenkel 2015: 50).

This is why Pimentel (2013) points out that the political significance of BRICS since the Goldman Sachs coined several acronyms like ‘BRIC’ but, BRICS is distinctive among them:

“the acronyms N-11 (Next Eleven), also coined by Goldman Sachs (it includes Indonesia, Bangladesh, Egypt, Iran Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam), CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), conceived by HSBC; and VISTA (Vietnam, Indonesia, South Africa, Turkey and Argentina), created by Japanese institutions. If the BRICS had not been established as a politico-diplomatic mechanism this acronym would possibly have today a status similar to that of those other groups the rise of the BRICS as a politico-diplomatic mechanism that takes shape at a time when global governance is being redesigned and in which the perception of the deficit of representativeness, and hence of legitimacy, of the structures generated in the post-World War II becomes increasingly sharper (Pimentel 2013: 51)”.

Meanwhile, the US influence in international politics was declining as several polls and reports such as Fox News poll and US Intelligence Council’s report depict the

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<sup>44</sup>In his book titled ‘The Clash of Civilizations and the Remaking of World Order.’ Samuel P Huntington argues that the post-cold war era witnessing civilizational clashes.

decline. The 2005 report of the US intelligence report says that “the US would still remain the single most powerful actor economically, technologically and militarily” in the international relations. When it comes to 2009 the US would play a prominent role in global events but one among many global actors predicted by the US intelligence Council (Stuenkel 2015: 36-7). It could be the reason that the rise of the BRICS countries since China had already become the third largest economy surpassing the Germany. Besides, the Goldman Sachs 2003 paper titled “Dreaming with BRICs: The Path to 2050” predicted that the BRICs economy would grow even faster than previous projection in 2001 paper by Jim O’Neil. Moreover, the financial depression could become principal factor in diminishing the US influence and its image in international politics. Since the crisis erupted on the US soil with the Subprime mortgage crisis resulting in unprecedented protests in the city of New York.

An addition to it, the Fox News poll conducted in 2010 found that “62 per cent of American thought that their nation is in decline” similarly, the US National Intelligence Council’s December 2012 Report shown that “era of American ascendancy in international politics that began in 1945 is fast winding down however, will remain the first among equals with the rapid rise of other countries”. It is argued that “new powers are on the rise. They each have their own foreign-policy preferences, which collectively constrain America’s ability to shape the world. Think of how India and Brazil sided with China at the global climate-change talks (Stuenkel 2015).”

Under these circumstances, the BRICs share the perception that the world was undergoing unprecedented changes. Thus, the four countries emphasized the need for corresponding changes in the global governance. The communiqué after the second summit underlined their support for a “multipolar, equitable, mutual respect, cooperation, coordinated action and collective decision-making of all states (Coning 2014).” The decline of US dominance can be seen in emerging economies perception that the Brazilian president Lula and Turkish Prime Minister Erdogan’s decision to seeking an agreement on Iranian Nuclear program. The political importance of BRICS can be seen when the Iranian president met all the BRICS leaders and sought the membership in the group. As Singh (2013) argues that the membership of the

grouping gives a certificate of being rapidly growing economy, political legitimacy and greater visibility in global affairs.

The financial crisis and the decline of US supremacy in international politics provide a window of opportunity to the rising economies like BRICs countries. It is because of the economic resilience of the BRICs shown during the economic recession that enables them to articulate the global challenges such as food security, climate change etc. on the global forums effectively and frequently. With the economic prosperity of the BRICs and declining legitimacy of the western world in the existing global governance structure enhances BRICs' capabilities to demand the post-war period institutional design such as Bretton Woods System<sup>45</sup> and the United Nations to reform in order to reflect the post-cold war period realities.

The post-war institutional set up lost the legitimacy with the financial crisis on the other hand rising economies like BRICs showing significant economic resilience getting the legitimacy to redesign the existing institutions to meet the changing prospects of the post-cold war period. Meanwhile, the western world, particularly the US is seen as getting the support from the international community regarding the humanitarian intervention. In the year 2011 all the five countries and in 2012 four countries, except Brazil, remained sat on the Security Council which provided them an opportunity to develop the common interests and strengthen their positions on various issues related to international politics, particularly issues with regard to conflicts in Middle East and North Africa. It is the firm belief of the BRICS countries that the western world manipulates the United Nations by willing of the coalition or undermining the authority of the Security Council to meet their vested interests. Thus, the BRICs countries demand the reform of the Security Council to reflect the current realities of the world. Even though the BRICS countries contribute considerably to UN peace keeping operations their representation and the voice in the Council was inconsequential.

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<sup>45</sup> The Bretton Woods System is the outcome of the Bretton Woods Conference held in 1944 to reconstruct the war-ravaged Europe. It consists of IBRD well known as World Bank and the IMF. The Bank is to provide long-term investment credit to infrastructure development and the IMF is to provide short-term loans for the countries when they are under liquidity pressure.

## **The BRICS and the United Nations**

The core perception of the BRICS nations is to promote peace and security in the world by following multilateralism and democracy in adherence to the norms and principles of international law. They consider that the adherence to universal principles as showing respect for “sovereignty, unity, independence, territorial integrity, non-aggression, equality”. Stuenkel (2015) points out that the BRICS countries have been consistently engaging with the Security Council systematically and consistently no other emerging country in the world engaging with the council’s activities as consistently as these emerging countries. During the years 2011, all the five countries and 2012, except Brazil, four of them sat on the Security Council provided an opportunity to strengthen their positions on international peace, stability and security in the world. As it is reflected in their communiqués

We underline our support for a multipolar, equitable and democratic world order, based on international law, equality, mutual respect, cooperation, coordinated action and collective decision-making of all States. We express our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and threats. In this respect, we reaffirm the need for a comprehensive reform of the UN, with a view to making it more effective, efficient and representative, so that it can deal with today’s global challenges more effectively. We reiterate the importance we attach to the status of India and Brazil in international affairs, and understand and support their aspirations to play a greater role in the United Nations. We believe the deepened and broadened dialogue and cooperation of the BRIC countries 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. We have agreed upon steps to promote dialogue and cooperation among our countries in an incremental, proactive, pragmatic, open and transparent way<sup>46</sup>.

The BRICS share the common perception that the post-war institutional set up was dominated and manipulated by the West. So the institutional set up needs to redesign

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<sup>46</sup>BRICS Information Centre, Brasilia summit declaration in 2010 that they share a common vision on global governance, Para 2, 3, 4 and 5.



in a way to represent the overwhelming majority of developing countries. BRICS countries from the beginning have been demanding the reform of the post-war institutional set up to make it “more democratic and representative”. As the Brazilian foreign minister says that the BRICS countries aspire to play a key role in decision-making process in the global governance in order to meet the majority aspirations of developing countries.

As the BRICS countries promote and support the multilateral diplomacy to manage the conflicts in the world through the international organizations like UN. In fact, the central role of the UN Security council to manage the conflicts between the states but, with the unilateral actions of the west led by US either manipulating the UN with its economic and military strength or bypassing it altogether. The actions of the west are seen as the violation of international law and the principle of state sovereignty as interfering into internal affairs of the sovereign states in the name of humanitarian intervention.

In the BRICS, Russia and China are permanent members remaining three countries, Brazil, India and South Africa are non-permanent members. Since the inception of the UN, Brazil and India have been demanding for their inclusion into permanent status. The declarations of the BRICS summits support the expansion of the UN Security Council to meet the majority mankind aspirations. The UN Security Council does not have permanent representation from Africa, South America. Since, the Brazil and South Africa could be given representation so that the Africa and South American continents can have their say in the council. It is noteworthy that more than seventy per cent of peacekeeping activities are taking place in African continent alone. Ironically, ever since its inception no African country has been given permanent membership in the Security Council<sup>47</sup>.

During the financial depression there was a drastic decline in developed countries contribution to the UN budget while, the developing countries like India, China and Brazil’s contribution to the UN budget increased considerably. In fact, they have been playing a pivotal role in UN peace building operations both in terms of militarily and

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<sup>47</sup> Armijo and Roberts (2014). *The Emerging Powers and Global Governance: Why the BRICS Matte*, New York: Routledge.

financially. India contributes the third largest contingent pool of troops to the peacekeeping operations. Brazil is sixth largest economy, surpassing Britain, twelfth largest contributor to peacekeeping troops. Brazil and India's contributions are scheduled to rise for UN 2012-13 budgets from 1.6 to 2.9 and 0.5 to 0.66 respectively which is considerable increase in their contribution (Armijo and Roberts 2014: 12).

Armijo and Roberts (2014) argue that, BRICS countries, other forums like Africa Union and Group of 4 (G4) consists of Germany and Japan along with Brazil, India demanding the permanent membership in the Security Council. The Africa Union is demanding that at least two permanent seats and five non-permanent seats should be given to African continent. Apart from demands from the aspiring countries, the Council itself considered the issue and constituted a couple of commissions and panels to address it. Reform the Security Council is not a recent phenomenon which has been considered seriously for more than last two decades. It is assumed significance precisely for two reasons, one is after the end of the cold war, rising economies and major developing countries are willing to play a great role in global affairs. Secondly, the UN itself as a body representing the member states of the world conceived that the changing prospects should be reflected in the Security Council since, no country from Latin America and Africa has represented.

The UN General Assembly resolutions concluded that the "Security Council should be more effective, efficient and transparent". Haibin (2012) says that

Under the leadership of the Secretary General Kofi Annan, a High-Level Panel was created that came up with two alternative recommendations for reforming the Council. The first plan was to invite India, Japan, Brazil, Germany and two African states to join the Council as permanent members without a veto, and the second plan was to adopt rotating members rather than add new permanent members (Haibin 2012: 4).

An addition to these conclusions, the BRICS communiqués after the Sanya and New Delhi summits strongly advocated for the expansion of the Security Council. In 2011 all the BRICS leaders supported the comprehensive reform of the council "China and Russia reiterate their importance attach to their status of India, Brazil and South Africa in international affairs and understand and support their aspiration to play a

greater role in the UN<sup>48</sup>”. New Delhi declaration added that the BRICS governments “recall our close coordination in the council during 2011 underlines our commitment to work together in UN in the years to come”. In so far the Security Council was reformed only once after its inception in 1963, increasing its membership to 15. It is interesting to note that at that time the strength of the UN was only 113, now it is 193 but the membership has not been increased in accordance with member states (Armijo and Roberts 2014).

The procedure of the Security Council expansion is extremely complex and highly political as the expansion requires two-third support out of 193 member states and endorsed by P-5 to succeed. Haibin (2012) noted that there are three categories which could be stumbling blocks in reforming the council. Firstly, the reform may overlook the western influence, particularly the unilateral actions of the west; secondly, remaining four countries may lose their privileges of being permanent members as prestige and power in international politics. In other words, it is their perception that any change in Security Council that may dilute P-5. The same style substance is reflected in the Chinese government official statement when the US has decided to endorse India’s bid to the UN Security Council. The Chinese government official statement released saying that any change in the Council should not dilute P-5 by making it P-10.

Despite the considerable amount of contribution to the UN budget and taking active part in peacekeeping operations across the world, Brazil, India and South Africa are unable to get permanent membership status in the UN Security Council because the process is very complicate. The three of the non-permanent BRICS countries have been facing many obstacles to get the permanent membership in the Security Council in the form of regional rivalries and the duplicity of the developed countries including Russia and China as well. The P-5 countries do not want to lose their leverage in international politics. Besides, regional rivalries are arguing for rotating membership. At individual level, countries like Russia and United States supporting the India’s bid while China is strongly advocating for South Africa’s and the US is opposing the membership status for Brazil. The ambivalent attitude of the permanent countries

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<sup>48</sup> BRICS summit (2011), “Sanya Declaration” [Online Web] Accessed July 21. 2016, URL <http://www.brics.utoronto.ca/docs/110414-leaders.html>.

reflect in their statements, when US ambassador Khalilzad supported the India's membership, Obama endorsed it in 2010, China, in response to US endorsement of India's demand, argues that the P-5 should not dilute by making it P-10. Whereas Russia says that the any reform in Security Council should be taken place unanimously unlike two-thirds majority and P-5 to endorse it to succeed.

The permanent members find the reform process in the Council will curtail their superiority, as the countries like India follows non-alignment policy, Brazilian policy would be contrary to the western policy as it is reflected when the Brazil aligned with Iranian president seeking an agreement on Iran Nuclear program. The South Africa prefers to regional solutions to the regional problems as the most of the unrest is going on in this continent. Moreover, the P-5 is assumed, the reform process will derail the decision-making process in the Security Council. Without the hard push from the US and the coherent and explicit stand support among BRICS countries is very hard to reform the Security Council. He asserts that it would certainly change the Security Council if the BRICS countries speak with one voice (Haibin 2012).

### **BRICS and the Responsibility to Protect (R2P)**

The concept of "Responsibility to Protect (R2P)<sup>49</sup>" came into existence in 2001 endorsed by the UN General Assembly in 2005. It got overwhelming support from international community 191 countries out of 193 unanimously accepted in the UN. Essentially, the intellectual impetus of the R2P comes from the non-western world; African scholars like Francis Dug advocated the idea "non-indifference". Gradually the ideas were developed by global northern scholars like Michael Ignatiff and others. Eventually it is seen as the western concept since it has been owned by western countries than the non-western countries (Stuenkel 2015).

The concept is by product of plenty of conflicts which erupted in several countries such as Somalia, Rwanda, Bosnia, and Kosovo and so on where thousands of civilians were killed in the last decade of the twentieth century. Kofi Annan, the then General Secretary of the UN raised the issues in the UN General Assembly in response to it, the International Commission on Intervention and State Sovereignty (ICISS) was

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<sup>49</sup>Responsibility to Protect is post-cold war invention to protect the civilians from manmade disasters and transnational pandemics etc.

constituted by the Canadian government in 2000. The ICISS was asked to address the issues which are related to ethnic cleansing, genocides, communal riots and epidemics etc. The commission submitted the report in 2001 in recommending some of the measures to protect the civilians from large scale massacres, international pandemics and transnational terrorism.

The Commission report 2001 states that the state has dual responsibilities, first and foremost is to protect its citizens from the internal disturbances; secondly when respective state machinery fails to protect its citizens the responsibility lies in the international community (Braathen 2015). As Stuenkel (2015) points out the three pillars of R2P as follows:

Pillar I states have the primary responsibility to protect their populations from genocide, war crimes, ethnic cleansing, and crimes against humanity. Pillar II addresses the commitment of the international community to provide assistance to states in building capacity to protect their populations from genocide, war crimes, ethnic cleansing, and crimes against humanity and to assisting those which are under stress before crises and conflicts break out. Pillar III focuses on the responsibility of international community to take “timely and decisive action” to prevent and halt genocide, ethnic cleansing, war crimes, and crimes against humanity when a state is “manifestly” failing to protect its populations (Stuenkel 2015: 137).

In principle, almost all the member states of the UN, particularly BRICS countries endorsed the concept. As far as first pillar I, regarding the responsibility of the state to protect its people, is concerned there is an absolute unanimity among the BRICS countries to prevent the crisis. Since it is compatible with the BRICS’ principle of state sovereignty for which they give utmost importance. The BRICS countries see the pillar II resembles their foreign policy approach. They argue that all the countries in the group contributing enormously in peacekeeping operations. The five countries firmly believe that root causes of the conflicts are inequality and poverty preventing conflicts without addressing the causes is futile exercise. Thus, BRICS’ foreign policy underlines the importance of “peacekeeping, democracy, human rights, good governance and development” to address the inequality and poverty. Therefore, they

categorically stated in their declarations that they are committed to achieve the “Millennium Development Goals”.<sup>50</sup>

However, the crux of the concept lies in the Pillar III which contradicts the BRICS’ principle of state sovereignty fundamentally. The BRICS’ principle of sovereignty contradicts the western modus operandi assuming the responsibility by using force. It is clearly reflected in their statements after the Libya’s case. For the first time, after the adoption of R2P, an abstract idea puts into practice by using the force in Libya. Ever since the intervention in Libya, the BRICS countries perceive the resolution as more of toppling the government rather than protecting the people and upholding human rights. The views of the BRICS countries after the resolution on Libya have changed considerably. Since it is palpable that their intention and interpretation is not to oppose the liberal order per se but they wish to play a decisive role globally not assuming the responsibility synonymous with force. It is reflected in their statements regarding the resolution on Libya’s intervention<sup>51</sup>.

India states her position in a statement on Libya’s intervention that “India bemoaned with that little information is available on the ground what is happening in Libya.” Russia’s statement about the immediate ceasefire would be an end to violence. In other words, it is opposing the using force in the name of protecting the civilians and human rights. China is always against the use of force in international relations. In fact, all the BRICS countries communiqués reiterate that problems in international relations can be solved through political and diplomatic activism not by using the force. Chinese position on the R2P is changing gradually from “non-intervention” to “not absolute intervention” similarly, South Africa, initially it voted for the resolution later on changed its view from “non-intervention” to “non-indifference”. Brazil has categorically stated its position after the intervention in Libya and proposes the principle of “Responsibility while protecting”. It submitted a terse note to the UN saying that “Brazil argued that its vote in no way be interpreted as condoning the behaviour of Libyan authorities, or disregard for the need to protect civilians and

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<sup>50</sup> In September 2000 resolution adopted was by the UN General Assembly to achieve eight Millennium Development Goals by 2015. Eradicate extreme poverty; Achieve universal primary education; Reduce child mortality; Improve maternal health; Combat HIV/AIDS, malaria and other diseases; Ensure environmental sustainability; and develop a global partnership for development.

<sup>51</sup> Stuenkel, Oliver (2015). *BRICS and Future of Global Order*, London: Lexington Books.

respect for their rights and not convinced that the use of force as provided in the resolution will realise our common objective is the immediate to end the violence and the protection of civilians<sup>52</sup>’.

Haibin (2012) argues that BRICS countries economic interests are aligned with those countries where the humanitarian interventions took place. Thus, he opines that, where there is vested interests of these countries are involved then, there would be an opposition to R2P:

Emerging powers are becoming the main investors, importers and exporters to regions where most peacekeeping tasks have been done. In the case of the Middle East for instance, China and India are the main importers of oil, but also the primary exporters of goods to the region. The Arab-South American summits witnessed the importance of the region to Brazil. These broader interests might be creating opportunities for emerging powers to assume their responsibility based on increased interests. In the future, the decisions of BRICS countries on R2P cases will therefore be more pragmatic and interest-based rather than ideological (Haibin 2012: 4).

Besides, except Russia, four of them experienced the past history of colonialism and all of them experienced the contemporary history of unilateralism since these countries are suspicious of the military intervention. Moreover, these countries also have the same problems in their countries. Regions like Kashmir in India, Xinxiang and Tibet in China. As they fear that they may face similar situation in future. It is interesting to note here that in Georgia’s case Russia described it as it is their bound duty to protect its nationals in accordance with the R2P. In this case, it is said, Russia conveniently interpreted the R2P. Healso says that it will take time to non-western countries to accept humanitarian intervention as global norm since these countries took a lot of time to accept peacekeeping operations as universally accepted norm.

The intervention in the Libya hailed as success in the west while the BRICS disagreed. The BRICS submitted a terse note to UN Secretary General in November 2011, Brazil argues that the concept might be misused for purposes other than

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<sup>52</sup>Ibid, p. 130.

protecting the civilians, such as regime change or toppling governments. The west saw the Libya's intervention as successful model whereas the BRICS as dangerous precedent.

### **Political Aspects in International Financial Architecture**

Political prospects can be seen in holding meetings prior to G8 and G20 financial meetings to leverage their views pertaining to global economic and financial matters. Organizing meeting in this fashion, prior to global financial summits, imply the political intention of the grouping as it was explicit when the crisis erupted. It is the firm belief of the grouping that the crisis is the result of the failures of the global financial institutions policy making process. Concurrently the developed countries with the concept of "outreach" inviting emerging economies, as ad hoc and observers, to G8 meetings. The BRIC countries felt the invitations were mere symbolic brought glacial changes in the global economic governance. In fact, from the beginning the hosts of the G8 meetings had been saying that the invitations did not mean that the developing countries are given membership status (Stuenkel 2015).The invitation process reflects the developed countries dominance in the global financial forums despite the economic resilience that the emerging economies were witnessing during the crisis yet, their weight in the global financial structure is nominal. Eventually the BRIC countries were included into G20 club as the BRIC countries welcomed the G20 is the premium forum in dealing with global economic issues.<sup>53</sup>

After attaining the membership status in G20, they have been urging for the implementation of the reforms agreed upon in historic IMF Quota reforms 2010. The reform process shows political aspect of the affluent countries because on the one hand, they say that emerging economies would be given an adequate representation and voting share in IMF and the World Bank. On the other hand, showing their partial attitude in increasing the voting percent requirement is to approve any decision. Moreover, the decisions have to be ratified by the US congress. In other words, the

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<sup>53</sup>BRIC Summit (2010), "2<sup>nd</sup> BRIC Summit of Heads of State and Government: Joint Statement" [Online Web] Accessed July 21. 2016 URL <http://www.brics.utoronto.ca/docs/100415-leaders.html>.



entire reform process of the established financial institutions is politically motivated program of the US led western countries<sup>54</sup>.

After prolonged delaying in the reform process, actively involved political role led the BRICS countries to set up a new development bank to fulfil their developmental needs to achieve Millennium Development Goals. Meanwhile, the BRICS countries began enhancing their intra-trade and business in their own currencies in lieu of relying on dollar but it did not take much headway. However, the developed countries were willing to modify the existing structure when they were in deep crisis. But, once their economies started recovering, particularly the US, ignoring the emerging economies concerns. Thus, the IMF reform process was stuck in the US congress.

The US dominance in international political economy began since the inception of the Bretton Woods System. The Bretton Woods System was established to improve the infrastructure in European countries devastated by Second World War and to develop the third world countries in providing long-term credit investment projects. However, the US economy started stuttering in the 1960s at the same time European countries economy was rising as a result, the US decided to roll back on its currency as ‘dollar’ was no longer converted to gold. The reneged US decision on dollar convertibility can be seen as the political aspect of the financial decision because the currency volatility resulted in turbulence in global economy which affected underdeveloped countries than the developed countries as the European countries economy was largely recovered by the time (Heywood 2011).

In response to the Nixon shock<sup>55</sup>, the European countries had started organising themselves to set right the situation as a result G5 came into existence later on it became G7. The BRICS along with developing countries of the world saw it as the international financial institutions were created to develop and recovery the Europe and not the under developed world. In fact, this ulterior motive of the US led western

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<sup>54</sup> Stuenkel, Oliver (2015). *The BRICS and the Future of Global Order*, New York: Lexington Books.

<sup>55</sup>In 1971, US President Nixon introduced a New Economic Policy declaring that the convertibility of dollar no longer to gold rate.

institutions showed time and again with the introduction neoliberal agenda of the western led global financial system.<sup>56</sup>

However, most of the negative impacts were witnessed by the majority developing countries of the world. In addition to it, in the name of “Washington Consensus”<sup>57</sup> the developed countries imposing their development model on developing countries resulting in numerous crises occurred in many countries like Brazil, Mexico, Shock Therapy in Russia and Asian financial crisis regionally referred it as IMF crisis when the IMF and World Bank were severely criticised but never paid adequate attention to these crises. Once the recent financial crises occurred in 2008 and affected western countries badly.<sup>58</sup>

It is this economic recession that provided an opportunity to raise a voice of the majority of the developing countries in the Global summits (Stuenkel 2015). Until then the developed countries had forgotten the fundamental motive of the formation of the Bretton Woods System to reconstruct the war ravaged Europe and develop the underdeveloped countries rather they destroyed the developing countries’ economies (Heywood 2011). They created an environment where developing countries cannot escape from developed countries clutches. Thus, it is visible whenever they attend the global meetings regarding financial issues these countries are not in a position to demand the loans rather to submit themselves in order to get the loans from this Washington led western institutions.<sup>59</sup>

This is why the elected governments are of no consequence when these neo-liberal agenda of the Washington consensus dominating the entire domestic regime structure of the developing countries. In other words, the system of governance, governments elected by the people is of inconsequential owing to neoliberal agenda of the financial institutions<sup>60</sup>. Thus, the BRICS countries emphasize the principle of state sovereignty.

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<sup>56</sup>Heywood, Andrew (2011), *Global Politics*, London: Palgrave Macmillan.

<sup>57</sup> Cutting on public subsidies and giving concession corporate companies, creating conducive environment for free trade and foreign direct investment, minimum state regulation on economic activities.

<sup>58</sup> Stiglitz, Joseph (2002). *Globalization and its Discontents*, New York: W.W. Norton.

<sup>59</sup>Bailys and Smith (2001). *The Globalization of World Politic: an introduction to International Relations*, Oxford University Press.

<sup>60</sup> ibid

Hence, the NDB does not put any formalities on lending process to any country. Rather prefers the indigenous development model than 'one pits for all approach'.

The US led international financial institutions are involved with a lot of political intentions which are explicit in granting loans, balance of payments in times of short-term liquidity pressures etc. The political project of the developed world could be seen in delaying the reform process of the IMF and the World Bank from granting membership status, making promises and finally to implement them. It is noteworthy that the 2010 IMF quota reforms would come into existence only when the US congress ratifies it. Due to 2012 presidential elections the reform process was put off and also the reason behind this is deep divergence between the democrats and the republicans. Thus the reform process is not yet fully implemented.

The duplicity of the developed countries can be seen in the recent increase in the voting share of the developing countries. On the hand developing countries voting share was increased on the other hand US still has veto power in the Bank and unofficial veto power in the IMF as majority of the decisions require eighty five percent of the votes. US is the only country which has about sixteen percent vote share as it is extremely difficult to get any policy approved unless and until the US approves. So the grouping attempts to address the political prospects of existing financial decisions (Biswas 2015).

## Conclusion

My dissertation titled “**Political Dimensions of BRICS**” in preceding chapters briefly discussed the understanding of political dynamics of BRICS countries as well as the significance of creation of NDB and CRA, which have become major contribution in global financial system in the developing countries at this moment. The discussion in this thesis has also tended to emphasize on BRICS to play a crucial role at this juncture and for holistic development of the developing countries, at the particular study of new financial institutions such as NDB and CRA.

In this thesis, my study has primarily contended the way of political dimensions of BRICS and the virtual role of developing countries in global governance to meet needs of infrastructural development. It also eventually demonstrated the economic and political significance of NDB for emerging economies of developing counties by focusing on country specific development approach. I will make a summary of those arguments and comments that mentioned in the previous chapters and making concluding findings very briefly. I will also look upon the emerging importance of BRICS countries from political and economic perspective in last part of this chapter. The political economy of the developing counties (BRICS) makes a broader picture of development in two hypotheses which I have mentioned. Thus, my entire thesis has been attempted to examine the following research hypothesis pertaining to ‘political dimensions of BRICS’ in particular and the developing countries in general.

- ❖ The failure of Bretton woods Institutions to adequately address the requirements and needs of the BRICS countries led them to come together to form a new organization New Development Bank to address the outstanding issues.
- ❖ BRICS has become formidable political force largely based on their economic power.

It employs these two hypotheses in my study, the first one has verified and made it amply clear that dissatisfaction over the role of Bretton woods institutions paved the way for the countries to come together to forming a new organisation called NDB to

economically empowering the BRICS. Then, the BRICS countries after forming a new financial institution have become economically more strong entities. In the case of second hypotheses, it may be too early to comment on the full-fledged political force of the BRICS, but in the near future it will reflect much on politically and economically sound. So, the hypothesis expected to be testified if BRICS enhance more on holistic development of its countries. This is the common phenomenon one could believe that the flourishing development of the BRICS countries could be a main aspect beyond the forming of a New Development Bank.

As it has clearly mentioned in the beginning, the BRICS countries assumed the ownership of the acronym, BRIC, by incorporating South Africa into grouping in 2011 at its third summit in Sanya, China. The five countries also strongly shared common perception that the western world dominance, particularly the US dominance, in global governance began by establishing the Bretton Woods System and the United Nations. It is noteworthy that the functioning of the Bretton Woods Institutions delayed due to US containment policy to prevent the spread of communism in the post-war era, particularly in capitalist countries. The Bretton Woods System was established to reconstruct the Europe devastated by Second World War and to develop the infrastructure in third world countries through providing long-term credit investment projects. However, once the Europe was recovered from the war ravages the developed countries largely ignored the infrastructure building in the third world countries rather concentrating on imposing their neoliberal economic policies on developing countries in connection with the 'Washington Consensus'. Thus, the inequalities in developmental process persist between developed countries and the developing countries.

Meanwhile, the Bretton Woods System faced challenges as the global financial system had to shift from its fixed exchange rate system to floating exchange rate system which led to the creation of G7 by major developed countries in the 1970s. Simultaneously the developing countries attempted to create a 'New International Economic Order (NIEO)' in order to revise the existing international economic system to favour the developing countries' development as the developing countries perceived the existing structure which only benefitted the developed countries. However, the NIEO did not show much influence in international economic system

due to its limited economic strength in global economy. Subsequently the neo liberal economic policies of the Bretton Woods Institutions resulted in series of economic crises in developing countries like Brazil, Mexico etc. More importantly, the economic crises continued in the post-cold war periods Russia and Asian countries witnessed economic recessions in the second-half of the twentieth century. In Asia, the 1997 financial crisis was referred as IMF financial crisis. The Asian financial crisis occurred because of IMF policy conditionalities and partisan attitude towards the developing countries. Therefore the policies of the IMF was severely criticised by the developing countries across the world.

It is noteworthy from my study that China was unscathed from the Asian financial crisis. Concurrently, emerging economies like India and Brazil are rising in global economy and Russia is reviving its economy. An addition to it, Jim O'Neil's projections about these four countries got legitimacy and weight in global financial governance. However, initially BRICS foreign ministers discussed the topical global challenges such as climate change, transnational terrorism and sustainable development etc. But, the 2008 financial depression not only affected developed countries' economies badly but also revealed the shortcomings of the Bretton Woods System. Thus, the economic recession created a window of opportunity for the BRICS countries since the grouping started organizing formal meetings frequently since the eruption of the 2008 financial crisis. As a result, for the first time in 2008 with the Brazil's initiative, finance ministers and central bank governors met until then only foreign ministers used to meet. The finance ministers meeting largely dominated by subprime mortgage crisis and the agenda of G20 meeting and the ministers and governors discussed the ways to surmount the crisis.

With the financial crisis, the developed countries' dominance started declining in global financial governance. At the same time the rise of the rest, particularly BRICS countries witnessing economic resilience in the twenty first century. Moreover, China has emerged as the second largest economy, next to US, in the world. The economic weight of these countries bolstered their demands to modify the existing mode of governance in order to make it more inclusive. Thus, it is this financial crisis that compelled the developed countries to address the outstanding issues that are being

raised by the BRICS countries along with other developing and emerging economies over the years in the post-cold war period.

As it is the growing weight of the BRICS countries in global economic governance which brought them together to address the outstanding issues in international financial institutions. Thus, the BRICS urged the international community to reform the established economic institutions to reform its redundant structure in order to reflect the corresponding changes that have been occurred in the international relations over the period of post-institutional design. After a series of appeals and demands through many multilateral, regional and global, forums these five countries have come to a conclusion that they could establish a multilateral and trans-continental institution which would serve in the best interests of the developing and emerging economies needs of infrastructure development.

The grouping initially focused on the reform of the existing global governance structure since they tried to establish working cooperation on global challenges to speak with one voice in several global forums. As a result, G20 emerged as a premium global financial forum to tackle the issues related to economic crisis. Also the substantive recommendations put forth by the BRICS countries accepted by the developed countries but not yet implemented totally. The reform process, which is involved in political process as the promised recommendations, has to be approved by the national legislatures, particularly the US congress which is deeply divided on this issue. Therefore, the BRICS leaders sought an alternative multilateral institution to that of global financial institutions to cater their developmental needs. Thus, in New Delhi summit, the leaders came to a conclusion that setting up a new multilateral institution based on the proposal put forth by Indian government unanimously accepted by all the leaders in the summit. On the basis of the proposal the leaders asked their finance ministers and central bank governments to look into possibilities of setting up new development bank. Then the ministers and central bank governors placed the report in Durban Summit stating that the creation of NDB and CRA is 'feasible and viable' in current global economic system. Therefore, the leaders came to a conclusion based on the finance ministers and central bank governors report wherein they stated that the creation of NDB and CRA, in Durban summit, is 'feasible and viable' that setting up a multilateral financial institution to develop infrastructure

not only in BRICS but also in other developing and emerging countries. Eventually the leaders entered into an agreement on the 'New Development Bank (NDB)' in Fortaleza summit along with the creation of 'Contingency Reserve Arrangement (CRA)'.

The creation of the NDB and CRA is seen as the growing weight of the BRICS countries in global financial system. The New Development Bank is precisely focusing on developing infrastructure in developing countries. The importance of the NDB and CRA is to tackle the unprecedented urbanization in coming thirty years over two billion people move to urban cities in the developing world. The massive urbanisation creates many infrastructural problems in developing countries. Thus, NDB exclusively focuses on infrastructure development projects in these countries. So the developing countries can longer contingent upon the established financial institutions to cater their infrastructural needs because the BRICS countries have abundant foreign exchange reserves which can meet needs of the developing countries' infrastructure development.

An addition to it, the NDB regional headquarters is located in South Africa which requires more infrastructure than any continent. So the African continent's infrastructural needs are largely met by NDB's funding rather than relying upon the World Bank and the IMF. Thus, the NDB diminishes drastically the World Bank and the IMF lending activities in the developing countries particularly in African continent. Moreover, the NDB funding on infrastructure development is not in connection with policy conditionalities as the conditionalities are the prerequisites of the World Bank and the IMF lending. As the developing countries are to accept certain policy conditionalities in order to get loans from IMF and World Bank.

The NDB unequivocally opposes the conditionalities rather it encourages the country-specific development approach. As the developed countries follow 'one pits for all approach which brought a lot of backlash from the developing countries against the development model of developed countries. The BRICS countries see the conditionalities not merely from the development point of view but also national security point of view. Hence, they strongly share the view that the policy conditionalities weaken the principle of state sovereignty and territorial integrity. Thus, NDB and CRA fundamentally oppose the conditionalities rather which



encourage indigenous development models of respective countries. It is firm belief of the BRICS countries that the conditionalities make recipient countries' domestic regimes inconsequential because by agreeing to policy conditionalities in order to get funding projects the recipient state are becoming subservient to international financial institutions than the elected governments and people. Thus, the BRICS countries' share common perception about the conditionalities diminishes the principle of state sovereignty and territorial integrity. Hence, NDB gives utmost importance to state sovereignty and territorial integrity of the recipient countries.

Moreover, the initial authorized capital of NDB US 100 billion dollars is shared equally by all the BRICs countries. And also the decisions are taken on the basis of unanimity; no country has veto power in decision-making process. In the case of World Bank and the IMF the developed countries have more weight in the decision-making process which is in disproportionate to their economic weight. The countries like Belgium, Canada, France, Germany and Italy have more representation and voice than the countries like Brazil, China and India though later countries' economies larger than former countries. Thus, the BRICS countries often criticise the existing economic system as it is no longer reflecting the growing weight of the developing countries. Therefore, the creation of NDB and CRA can be seen as an alternative to existing financial institutions because these two bodies, NDB and CRA, fundamentally contradicts the functioning character of the global financial architecture.

As the economic capabilities of the BRICS countries are seen in checking the US hegemony in global governance, particularly in the United Nations. Soon after the end of the cold-war, with the disintegration of the Soviet Union, the US emerged as sole super power in the world. The post-cold war period is described as 'unipolar world' in which no country was in a position to check the US dominance in the last decade of the twentieth century. However, the countries like Russia, India and China (RIC) started cooperating trilaterally as early as in the 1990s on the issues of regional and global importance in nature. The issues which were dealt in the RIC trilateral meetings are migration, drug trafficking, terrorism, and extremism in the region. With the collapse of the Soviet Union, Russia lost its super power status in international politics. Thus, Russia began promoting the concept of 'multipolarity' soon after its

disintegration. The primary objective of RICs meetings is to promote multipolarity and multilateralism with attaching utmost importance to the UN in the post-cold war period.

The multipolarity got an impetus when the terrorists attacked the World Trade Centre in New York in 2001 in response to the Bush administration declared 'global war on terror'. As a result, the US invasion of Afghanistan, the implications of the international war on terrorism are seen in the region. Since 2001, there was much headway in RIC trilateral cooperation as the foreign affairs ministers' level meetings started taking place on the side lines of the UN General Assembly meetings. The tripartite cooperation in the post-cold war era led to quadripartite cooperation in adding Brazil to RIC category in 2006. The inclusion of Brazil bolstered the multipolarity in the twenty first century global politics. Since 2006, the informal meetings of BRIC countries' foreign ministers began taking place on the side lines of UN General Assembly. The first informal meeting in 2006 was largely dominated by Lebanon war.

Apart from multilateral efforts from the BRICS countries, the post-cold war period witnessed a lot of political turmoil in the Middle East, Northern and Western African countries. Particularly countries like Rwanda, Bosnia and Kosovo have experienced the manmade disasters such as ethnic cleansing, genocide, civil unrest and so on later on Libya, Syria and several other countries. It is important to note that in Kosovo, the US led 'coalition of the willing'; NATO forces intervened undermining the authority of the UN Security Council raised the issue of force in international politics in resolving the countries.

To address these issues, Kofi Annan, the then Secretary General of the UN in 2000, urged the international community to find out ways in which to protect the civilians from such genocides. In response to it, Canadian government appointed a commission 'International Commission on Intervention and State Sovereignty (ICISS)' in 2000 by asking the commission to find out means to protect the millions of people from such evil acts without undermining the state sovereignty. The commission submitted its report by recommending the principle of 'Responsibility to Protect (R2P)' which consists of three postulates stating that it is the responsibility of the state to protect. In case, the concerned state machinery fails to prevent its civilians then the onus lies in

international community to protect civilians including use of force, if necessary as the last resort.

The UN General Assembly endorsed the R2P principle in 2005 with the overwhelming support of the member states on the eve of sixty years celebrations of UN. It is to be noted here that the use of force in the principle of R2P becomes the source of conflict between the 'western world humanitarian intervention bloc and the BRICS led the state sovereignty bloc'. Interestingly, there are differences among the developing countries about the concept of 'R2P'. However, the developing countries perceive, broadly, the R2P as the western world, particularly US along with its allies, is using R2P in interfering internal affairs of the sovereign states. The contest has become more visible in 2011 Libya humanitarian intervention when the abstract idea puts into practice for the first time. When the western world hailed the Libyan humanitarian intervention as successful precedent, the BRICS countries view it as setting dangerous example. The BRICS countries allege that the interventions are taking place where the BRICS countries financial stakes are high; their intention is to destroy the BRICS growing weight in global governance by toppling the regimes that are in favour of BRICS grouping. In other words, BRICS countries argue that the western countries are concerned more of economic interests than the civilian protection.

Simultaneously, the UN General Assembly adopted the resolution in working towards the achievement of Millennium Development Goals. The BRICS countries reiterate their commitment towards the achievement of Millennium Development Goals in their joint communiques. Thus, the BRICS countries demand the developed countries to allocate 0.7 percent of their Gross National Income for the infrastructure development in developing countries along with transfer of technology and information sharing. The BRICS countries' perception fundamentally contradicts the developed countries' view in tackling the conflicts in international politics. As the BRICS perceive the conflicts and civil unrest are result of poverty and hunger. Thus, the BRICS countries advocate that the solution to the unrest lies in eradicating extreme poverty levels in developing countries while the western world believes in using force in tackling the civil strife and unrest. Moreover, the five countries argue that these problems should be seen from the socio-economic development problem

rather than the use of military force in maintaining order in the society. Hence, the BRICS avoid use of force in international relations rather advocate that the conflicts should be resolved through peaceful political means and diplomatic negotiations. Thus, these countries reiterate their position on R2P that BRICS countries do not oppose use of force per se rather advocate that it should be the last resort. That is why Brazil proposed concept of 'Responsibility while Protecting' and South Africa shifted its original position from 'non-interference' to 'non-indifference'.

At the same time, in the year 2011 all the BRICS countries sat on the UN Security Council which provided an opportunity for the grouping to develop common interests regarding the global governance in general, particularly the reform process of the UN Security Council. Thus, the Sanya summit showed their commitment to work towards the comprehensive reform of the Security Council. In fact, from the beginning, the BRICS countries attach the importance of Brazil, India and South Africa permanent membership status in the Security Council in order to make it more representative. As the UN Security Council has virtually no representation from Africa and Latin American continents. Therefore, the BRICS countries see the UN Security Council is not reflecting the current realities of the international politics.

The UN General Assembly adopted a resolution way back in 1992 to reform the Security Council in order to give representation to unrepresented continents. In 1997, the then Secretary General of UN, Kofi Annan set up an inquiry to reform the Security Council to reflect the changing realities of the contemporary world politics. The committees came up with certain recommendations as the countries need to have major economy, military power, larger countries, respect democracy and human rights, and major contributor to UN budget to become permanent member in the UN Security Council. Interestingly, the BRICS countries' contribution increased considerably to UN budget while the developed core was struggling. As a result the developed countries contribution drastically fell down due to financial crisis. Moreover, Brazil and India, chiefly, have been taking active part in peacekeeping operations across the globe both militarily and economically. However, due to complicated process, there is no headway in that process. But, if the BRICS forge unified support firmly which certainly changes the course of the UN Security Council reforms.

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