

Significance of BRICS Grouping in International Affairs

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Abstract: BRICS is an annual grouping of five major countries-Brazil, Russia, India, China, and South Africa. The BRICS countries are both the fastest growing and the largest emerging market economies of the world. It is based on the principle of development, democracy, equity and multi-polar world order. The grouping focuses on financial, economic and political governance realm. With the establishment of New Development Bank, it become an important global actor and could play a vital role in international economic and political arena.

Keywords: BRICS, NBD, UN, IMF, Development, Economic, Economy, Reform.

DISCUSSION

BRICS is the acronym for an annual grouping of five major countries-Brazil, Russia, India, China, and South Africa. The association was originally known as BRIC before the admittance of South Africa in 2010. ...Since 2009, the BRICS countries have met yearly at formal summits. Russia presently holds the chair of the BRICS group and hosted the association's seventh summit in July 2015 [1]. The BRICS was considered just a small grouping, now is a global political reality. It has a significant influence on regional and global economic and political issues. BRICS deals with major global challenges such as international terrorism, climate change, environment, food and energy security, international economic and financial situation, sustainable development in BRICS and other developing countries, etc.

The BRICS countries are both the fastest growing and the largest emerging market economies of the world. The BRICS have also contributed to the majority of world GDP growth. As of 2015, the five BRICS nations represent over 3 billion people or 42% of the world population; as all five countries are in the top 25 of the world by population and four are in the top Ten. The five countries have a combined national GDP of US\$16.039 trillion, equivalent to approximately 20% of the gross world product, and it also holds an estimated US \$ 4 trillion in combined foreign reserves [2]. The experts believe that "by working together, the BRIC countries can carve out the future economic order between themselves. They believe that China can dominate in manufactured goods, India in services, and Russia and Brazil in raw material supplies" [3].

In its fourth Summit at New Delhi all BRICS member states opposed foreign interference in Syria and Iran and said that it is unacceptable."The New Delhi gathering categorically opposed Western military intervention in Syria and issued statements related to the ongoing threats against the Islamic Republic of Iran" [4]. The New Delhi Declaration states that "we express our deep concern at the current situation in Syria and call for an immediate end to all violence and violation of human rights in that country global interests would best be served by dealing with the crisis through peaceful means that encourage broad national dialogues that reflect the aspirations of all sections of Syrian society and respect Syrian independence, territorial integrity and sovereignty" [5].

BRICS grouping also promote South-South cooperation and North-South dialogue. (South represents developing countries and North represents Developed countries) "The BRICS countries' dealings with other countries of South are following desirable patterns or simply replicating North- South interaction. It used to be believed that economic interaction between developing countries (South-South integration) would necessarily be more beneficial than north south links" [6].

BRICS also calls for the reform of international financial institutions and United Nations Security Council to make them more representative of developing countries. "BRICS members have been emphasizing the need to reform the IMF since 2009, so that the developed countries could have a more equitable system of governance in international financial institution. The idea found support in 2009 at

the G20” [7]. The BRICS Declaration at Durban in 2013 also “calls for the IMF to be more representative of the “developing economies”. The reform of the IMF should strengthen the voice and representation of the poorest members of the IMF, including Sub-Saharan Africa” [8]. Together the BRICS countries can strongly ask for UN Security Council reform.” If we look at the last meeting of BRICS in Fortaleza in 2014, we will see that the declaration mentions not only to the reform of the financial system, but also the reform of the UN Security Council and the reform of the UN in general ,the reform of the world bank Group” [9].

On 15 July 2014, at its 6th summit held in Fortaleza, Brazil, the BRICS grouping established The New Development Bank which is formally referred to as the BRICS Bank. The goal of this multilateral bank is to “mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries” [10]. On 11 May 2015, K. V. Kamath was appointed as President of the Bank [11]. The NBD headquartered in Shanghai, China. Each member state holds an equal number of shares and equal voting rights and none of the participant countries will have veto power [12]. The NBD or New Development Bank is been given \$50 billion in initial capital. “The BRICS bank works on an equal-share voting basis, with each of the five signatories contributing \$10 billion. The capital base is used to finance infrastructure and, quote, sustainable development projects in BRICS countries initially, but other low- and middle-income countries will be able to buy in and apply for funding” [13]. BRICS “have also created a \$100 billion contingency reserve arrangement (CRA), meant to provide additional liquidity protection to member countries during balance-of-payments problems and other financial shocks. The CRA, unlike the pool of contributing capital to the BRICS bank, which is equally shared, is being funded 41 percent by China, 18 percent by Brazil, India, and Russia, and 5 percent from South Africa” [14]. Though” the China has contributed the largest sum of money, the decision-making process of the Council of the Governor is based on consensus. Moreover, at the Standing Committee level, in some cases the lack of consensus should be resolved by weighted voting, but even these cases there is 50% equality clause per participant intended to tame Chinese power” [15]. Thus, in their internal structure both the NBD and CRA are innovative because they do not reproduce the logic according to which ‘the most powerful has the right to rule [16].

The new bank is being described as a challenge to the existing American and European-dominated IMF and the World Bank. It’s really significant because “the failure in implementing the agreements to reform the international institutions prompted reaction on the part of the BRICS that resulted in the creation of NBD and CRA” [17]. BRICS members don’t want to establish an

institution like the World Bank or the IMF. They want a different kind of bank. “It’s not only a development bank, but it’s the \$100 billion currency scheme. They are trying to--they’ve been driven into a mutual economic defence alliance by the U.S. sanctions against Russia, by the threats against China, not letting it invest in the U.S. on national security grounds. They’ve forced other countries really into let us do whatever we want with you, there is no alternative, and we’re going to do to you what we did to Ireland and Greece, and that’s it. ... Well, basically what the BRICS are saying in their new bank and their clearing house is, yes, there is an alternative” [18]. “Their critique of the World Bank and the IMF isn’t that they’re not given big enough quotas; it’s they disagree with the whole philosophy of the World Bank and the IMF that is subsidizing economic dependency, food dependency, and basically anti-labor parties that result in budget deficits, that then governments are told, well, in order to finance your foreign debt and your budget deficit, you have to sell off your water, your natural resources, your privatization” [19]. The BRICS Bank not is not going to say to its member countries to sell off their water supply and raise prices in order to pay the bank [20].

The first article of the agreement on the NBD states that it should mobilize resources for infrastructure and sustainable development projects in BRICS and other developing countries, complimenting the current efforts of multilateral and local financial institutions for universal growth and development [21]. Article 1 further says that NBD should also cooperate with international organizations and other financial bodies, and render technical assistance for projects to be bolstered by the Bank [22]. Another key feature of BRICS Bank is that it will be lending money in domestic currency. “The World Bank doesn’t lend money in domestic currency. That means it doesn’t lend money for land reform, for agriculture, for all of the expenses that are met domestically for labor to develop agriculture, to develop industry. It only lends dollars, basically to buy U.S. exports of infrastructure, U.S. engineering exports--and European” [23]. “So making loans in domestic currencies for domestic development--for instance, China would love to see Latin America, instead of producing hard cash plantation crops, it would love to see it produce wheat and food. This would have a by-product: it could feed itself, as Argentina’s now doing and it could export. So a shift [crosstalk] financing to wheat away from other things would be a big change” [24].

BRICS countries have one thing in common: “they are all under attack by the United States economically, and in Russia’s case militarily, with sanctions. And so what Russia is trying to do is say, look, right now the United States can make a threat against us” [25]. “They can say, if you don’t do what we want militarily or politically or economically, we can

block your currency payments, we can block the banks, and we can strangle you” [26]

Fidel Castro in his article wrote about the importance of the NBD, “not in terms of its economic significance but its political importance in shifting away from the unipolar world dominated by the US” [27]. “These are the twin challenges we face -- one of transforming the global economy as well as the national economies to a different path than the hyper capitalist path being followed today; the other, to break the global hegemony of the US and its allies. It is here that the global financial institutions shore up the US hegemony politically” [28].

With the formal establishment of NBD and CRA the BRICS has become a genuine international actor in the financial and political sphere. But there are still big challenges as BRICS members have different political systems, social diversities and different foreign policy objectives. Another important “dividing line is the permanent membership status of China and Russia at the United Nations Security Council. Russia and China have the incentive of status - co, while the middle power aspires to permanent membership. Brazil India and South Africa are committed to a broader reformist agenda for international institutions” [29]. Based on the principle of democracy, development, human rights and multi- polar world order, the BRICS grouping could play a positive role in international affairs.

Conclusion

BRICS is an annual grouping of five major countries-Brazil, India, China, and South Africa. Initially it was portrayed just a small grouping now become a global political reality. The BRICS countries are both the fastest growing and the largest emerging market economies of the world. The BRICS have also contributed to the majority of world GDP growth. As of 2015, the five BRICS nations represent over 3 billion people, or 42% of the world population. It opposed intervention in Syria and Iran. It promotes south-south cooperation. BRICS also calls for the reform of international financial institutions and United Nations Security Council to make them more representative of developing countries. Recently it established the New Development Bank which aims at mobilizes resources for infrastructure and sustainable development projects in BRICS and other developing countries. In BRICS Bank each member state holds an equal number of share and equal voting rights and none of member will have veto power. The new bank is being described as a challenge to the IMF and the World Bank, that is, a challenge to American global financial power. But there are still big challenges as they have different political systems, social diversities and different foreign policy objectives. Another important dividing line is the permanent membership status of China and Russia at the United Nations Security Council. The grouping has

no permanent Secretariat Headquarter. But addressing a range of critical global challenges it has a significant influence on regional and global political and economic issues and it would become a key actor in international politics and economy.

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