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Sotiris Petropoulos Ph.D.

University of Peloponnese, petropoulos@uop.gr

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The emergence of the BRICS – implications for global governance

Sotiris Petropoulos, PhD
University of Peloponnese
petropoulos@uop.gr

Abstract

The global financial crisis of 2008, with its detrimental effects on the global economy, was the starting point of a transformation of the global governance landscape. This fluid political and economic global environment seems to be leading to the enhancement of the position of regional powers, especially within the developing world. Hence, the importance of Brazil, Russia, India, China, and, to some extent, South Africa, within the global governance structure has increased. This rise of importance is derived from the enhancement of the economic capabilities of these powers and the fact that economic interdependence has rendered the world more sensitive to the economic policies of these nations. What is even more significant is the fact that these emerging powers have initiated a process of conducting regular meetings for the purpose of discussing and coordinating their actions related to global issues. The BRIC(S) meetings seem to be acting as a power multiplier, leading to enhanced pressure on developed countries to accept some proposals from the BRIC(S) countries. This development enhances the effectiveness of global governance structures while also legitimizing the notion of a new global governance structure. It is yet to be shown, however, whether the new rising powers will eventually challenge existing global governance structures or be fully integrated into them.

Introduction

Since the mid-1990s, a gradually expanding literature has evolved on the evolution of regional powers that appear to pose a challenge to the current global order. Countries such as China, India, Russia, and Brazil (and to some extent South Africa, Argentina, Turkey, and Indonesia) have been a driving force behind a more balanced global governance (i.e. one that includes greater participation of the developing world and, more importantly, one that would draw more attention to the views and suggestions its representatives¹).

Although there is still much debate on which countries can be classified as “regional powers” or “regional hegemons,”² it is widely accepted that the post-World War II distribution of power, as expressed by the various international organizations’ structures and memberships, seems more and more inadequate in the new global state of affairs. It can be argued that almost every sub-region of the world includes at least one emerging power with the potential to exert at least some influence over global governance. For example, Brazil and Argentina in South America fall into this category, as do South Africa in Southern Africa, India in South Asia, and China in East Asia. It should also be noted that these regional powers’ position in the global arena is, in many cases, reinforced by their participation—and, in most cases, leadership—in regional integration schemes or initiatives such as Mercosur, ASEAN+3, and SADC, etc.

The desire of regional powers for increased participation and respect of their views have been based on the growing economic influence of these states within the international arena. In addition, their requests for an increased profile are also supported by global events that stress the need for wider cooperation initiatives than those that currently exist. The growing importance of regional economies and the number of global issues that require global solutions have given regional powers the opportunity to challenge the current structure of global governance. For example, global issues such as international terrorism and environmental degradation have revealed to major world powers such as the US, the EU, and Japan their need for the support of other countries in order to bring in results.³

The most recent example of such an issue is the financial crisis of 2008, a major global event which, starting from the American financial system’s problems, threatened global economic growth and international financial stability. In essence, a mainly American-born problem spread around the globe and created significant pressure on economic growth rates in both the developed and the developing world (The Financial Crisis Inquiry Commission, 2011). The fact that actions to confine this disturbing global development were pursued not only in forums that included developed countries (such as the G-7⁴ meetings) but also in meetings with wider and more balanced participation (such as the G-20⁵ meetings) has given credit to analysts arguing that the current world order is on a course towards increased multipolarity. As such, attempts to make existing global governance structures such as the UN and the IMF more representative of the current state of affairs have taken place, and several regional powers have taken the opportunity to call for more balanced representation of the developing world through their inclusion in once restricted clubs and forums (Truman, 2006; Schwartzberg, 2004).

Undeniably, countries such as Brazil and the People’s Republic of China have been expressing their views on regional and international issues and have been assuming a new, upgraded, position in international organizations and forums for some time. The influence of Brazil and China, among others, is reflected through new unilateral policies and through some recent attempts to coordinate actions among some of these emerging regional powers. One of the most highlighted cases of such coordinated action has been among the nations of the newly

established BRIC(S) grouping, which consists of Brazil, India, Russia, China, and, at times, South Africa. This new initiative of coordinated action among developing regional powers has become one of the main vehicles for opening up consultations between emerging powers from different world regions (i.e. South America, South Asia, Central Asia, East Asia, and Sub-Saharan Africa) with the aim of achieving greater cooperation and coordination when global issues are discussed within global forums and institutions.

Overall, the increased influence of regional powers like Brazil, China, and India is expected to bring changes at both regional and global levels. The already recorded gradual transfer of power from the North (or West) to the South and from global players such as the US and the EU to developing countries such as China, Brazil, and India appears to be leading to an eventual transformation of the global political environment. As argued by Abramo Organski in his book titled *World Politics* (1958), which laid the foundations of the Power Transition Theory, a redistribution of power among different countries in the world creates the conditions for the destabilization of any existing system and might lead to interstate tensions and possible conflict. Roland Tammen (2000) also supported the idea that the 21st century is expected to see major changes in world politics, the most significant of which likely being the increase of power from emerging nations such as China (Lemkea & Lemkeb, 2003; Chan, 2008). Whether this transfer of power will lead to changes in the global governance structures (i.e. in which new powers displace old powers) or whether the shift will result in the inclusion of new nations within the existing global power structure is a multifactor analysis exercise.

This paper assesses the importance of the development of new regional powers in view of a rising academic debate over the role of emerging powers in global governance and their impact on specific issues concerning global governance such as legitimacy, developing world representation, and effectiveness. Furthermore, the issue of whether the BRIC(S) nations may challenge the current international structures is discussed. Initial findings suggest that the added value of BRIC(S)' inclusion in elite discussions of global issues does enhance the relative effectiveness of global governance in most cases, and it can also be argued that the legitimacy and representation of global governance structures is further enhanced by virtue of the BRIC(S) countries' participation in such discussions.

Before analyzing the potential role of the BRIC(S) in global governance, a central question must be answered: Why have these particular countries been selected as influential regional powers? Undeniably, the very idea of the existence of an influential group of regional powers that includes Brazil, Russia, India, and China—and possibly South Africa—has been received with much skepticism. The acronym BRIC(S) was originally coined by a Goldman Sachs associate as a means of referring to new potential heavyweight players in the global economy. There are analysts, however, for whom this grouping of particular states represents nothing more than a catchy acronym. Such individuals assert that no common interests among the BRIC(S) members can be identified, and they question the inclusion of South Africa (instead of more likely players such as Mexico, for example).

It is true that the BRIC(S) group, if assessed from a purely economic analytical framework, may not necessarily appear to demonstrate indisputable coherence and, thus, may seem to be of questionable durability over time. Indeed, the economies of China, Brazil, Russia, India, and especially South Africa do have significant differences. Likewise, if BRIC(S)' nations are assessed by the most commonly understood features for identifying state power (i.e. military personnel, population, and land area), the BRIC(S) countries appear to lack cohesive commonality. Nevertheless, the five countries have a series of similarities both in their political

and the economic spheres that provide an acceptable level of common interests for going forward with institutionalizing a joint forum, and this paper argues that while no guarantee can be made regarding the ultimate influence of the BRIC(S) nations, with a whole that may be more powerful than the sum of its parts, BRIC(S) is likely to directly influence the course and shape of global governance.

Despite not appearing to be an undisputed political or economic dream team, there are reasons that this particular group of players has been thus far successful in their collaborative efforts. First, BRIC(S) countries may not be of the same economic or political importance on a global level, but they are leaders within their respective regions. China, besides being a massive economic power, is also the developing country which indisputably exerts the most control over East Asia. Likewise, Russia exerts significant control over the former Soviet Union area, and Brazil is the uncontested leader in South America, while South Africa controls much of Southern Africa. The inclusion of Mexico or Indonesia, as many suggest should have been considered, would not have provided this feature. Second, all BRIC(S) countries perceive themselves as existing outside the current global governance structure to more or less the same extent and have, on many occasions, confronted the representatives of the old power (the so called “West,” in general, and the US, in particular). Russia and China have long been fighting Western interests within the Security Council and other international fora; Brazil has confronted the US on the Free Trade Area of the Americas (FTAA) and other issues, and India still recalls the West’s support of Pakistan (although the new US-India relationship has decreased any bitter sentiments), while South Africa has defended its region’s sovereignty against Western interference in the recent Zimbabwe issue. These common experiences create a significant perceived division between “us” (i.e. the BRIC(S) countries) and the “them” (i.e. the “West”), thus formulating a conceptual common ground among the BRICS members. Finally, the BRIC(S) nations share a common goal that underpins their formation as an entity: that of attaining a global governance structure that reflects the new developments in the global political and economic scene based on the principle of multipolarity. Such a cause could not be promoted more convincingly than by a group of emerging developing countries that represent all world regions and that have increased their importance since the end of World War II.

It is true that although the common features of the BRICS countries are significant, these features alone do not necessarily guarantee the group’s longevity. Nonetheless, it is the claim of this essay that the collaborative efforts of the BRIC(S) nations will likely have a significant and enduring impact on global governance and economics. Indeed, the fact that the BRIC(S) meetings have already been institutionalized to a degree is expected to enhance the group’s coherence, at least in the short run, and it is the aim of this paper to undertake an analysis of the influence that BRIC(S) has already demonstrated as well as the likely coherence and potential longevity of BRIC(S) over time.

The new global environment

The global financial crisis of 2008 has been recorded as a major incident that exposed the inefficiency of existing structures of international financial governance due in part to the underrepresentation of rising developing economies. The crisis was initiated by developments within the American financial system but then spread worldwide (Asian Development Outlook, 2010). The collapse of Lehman Brothers represented the peak of the crisis, with money lending literally coming to a halt until the world’s most powerful central banks began channeling money

into the global financial system in an effort to reboot it. The international community reacted slowly to the global financial crisis, taking action only as it became apparent that increased coordination between the main global financial centers would be necessary in order to facilitate recovery. Discussions between developed economies did not seem sufficient in scope, however, and, thus, G-7 meetings were followed by G-20 meetings. Since November 1st 2008, when the first G-20 meeting was launched in Washington, another five such meetings have taken place—two in the same year (June 2010 in Toronto and November 2010 in Seoul) (G-20 website).

These meetings were generally successful enough to reach their main aim: to coordinate efforts to combat the financial insecurity that followed the collapse of Lehman Brothers. The global debt crisis that followed the Lehman collapse affected economic recovery, especially in the Western hemisphere and in the Eurozone (World Bank, 2010). Due to this economic turbulence, credit rating agencies such as Fitch, Standard & Poor's, and Moody's issued warnings to formerly top world economies such as Spain, Italy, France, and even Germany (BBC, 2012; Moody's, 2012). This new development further affected the international economic environment, as it sharply increased global financial insecurity. Moreover, the disagreements between the US and the EU regarding which economic policies would best provide control over the situation and reboot the global economy increased the importance of the views of regional powers such as Brazil, Argentina, South Korea, and especially China (Ahn, 2010). (Powers such as China and Brazil have supported the US strategy of the stimulation of investment and consumption, favoring it over the EU strategy of implementing austerity measures—though new balances within the European Union might alter the region's fondness for austerity measures).

The 2008 global financial crisis also revealed major global financial imbalances which may yet create significant problems in the future, such as the excessive dependence of most economies on how much the average (over-indebted) American citizen spends or on massive surpluses of Chinese goods. In essence, almost all over the world, exports sharply decreased as soon as American consumers started to decrease the amounts they spent as a result of the increased insecurity over the future of the US economy. It was soon understood that these kinds of imbalances or irregularities could not be handled by the major developed economies alone but that regional powers would have to be invited to the table (The Economist, 2009). The usual case in which the developed world pressures developing countries to revalue their national currencies and thus decrease trade imbalances was not producing tangible results (see for example the case of the Chinese renminbi). In reality, a new Plaza Accord (1985), by which China will be forced to unwillingly revalue its currency is not feasible under the new balance of power. After all, it is the emerging powers of the world – and China in particular – that have been supporting the fiscal deficits of developed economies such as the American one (Nye, 2010). Hence, global trade imbalances should be dealt through consultations between all relevant parties and the introduction of gradual adjustments, which would be affordable by all related economies.

Despite the significance of the 2008 crisis in bringing about change to the global governance structure, some of its apparent results were, in fact, already under way before being further catalyzed by the crisis: Attempts to reform international organizations such as the International Monetary Fund and the United Nations were already steadily gaining the support of the global community. More specifically, developing countries had long been arguing that the Security Council's permanent (and veto-empowered) seats could not and should not continue to express the post-World War II arrangements by including only France, UK, USA, China, and Russia. Countries such as India, Brazil, Japan, and Germany were indicated as potential new permanent members of the Security Council. In March 2005, the then UN Secretary General

Kofi Annan in his statement to the General Assembly called for a reforming the Security Council to become *“more broadly representative of the international community as a whole”* (The Secretary-General Statement, 21 March 2005). Voices in favor of the reforming of the IMF to increase the representation of the developing world were also expressed during the last decade and were reinforced by the increase of economic importance of various emerging powers and the relative decline of importance of major developed economies. As a consequence, by 2010 (two years after the global financial crisis had further strengthened the voices calling for change), reforms led to increased voting rights for emerging powers such as China and Brazil. Indeed, specific events of the global crisis tended to speed-up the reform processes while also giving more actual space to regional powers to increase their involvement on international governance issues. For example, the continuation of economic turbulence due to the debt crisis put in the spotlight countries like Brazil and China, which are now being asked to enhance the capital base of international organizations such as the IMF so that the latter can continue to assist in the process of stabilizing Europe (Reuters, 2012). Indeed, although the emerging BRIC(S) powers are distinct states across different global regions, with different levels of development (economic, political and even military), the BRIC(S) nations’ are more or less able to control their regional environments and project their power in global forums, and in so doing, they strengthen the voice of all developing nations within such forums..

The BRICS

The agreement giving birth to the notion of BRIC(S) can be traced back to the initial meeting of Russia, Brazil, India, and China in Yekaterinburg, Russia during June 2009, during which time several low level meetings among these nations had already taken place. The first use of the acronym *“BRIC,”* however, is attributed to Goldman Sachs’ analyst Jim O’Neill in his report titled *“Building Better Global Economic BRICS”* in 2001. (It should be noted, however, that while financial analysts understand BRICS as a term attributed to specific developing countries with significant weight over the international economic environment, the institutionalization of the BRICS’ meetings relates more to an attempt to diagnose any common *political* ground for cooperation between its members.)

Coordination between the four emerging powers (and South Africa, after its inclusion in the BRIC(S) meetings during December 2010) has been widely accepted as an expected outcome of a new world order (one that reflects the increased participation of developing countries in the discussions of finding solutions to global issues). Many (mainly financial and international economics) analysts regard the formulation of the BRICS as a positive development in light of the need for concrete and coordinated actions towards combating the economic turmoil. Other (mainly political) analysts view this development in pure realist/power terms and believe that the coordination among these emerging powers threatens the primacy of major advanced countries (i.e. the US, the EU, and Japan), and thus could further disrupt the order of the international political scene. What is certain is that most recent major global issues could not have been handled within a framework that excluded Brazil, Russia, India, South Africa, and most of all, China. With its more than 40% of the world’s population, more than 25% of the global land area, and a combined GDP of more than US\$11 trillion, the BRICS economies are without question a significant group of states. In addition, most of these countries are achieving significant yearly trade surpluses, which in turn create noteworthy foreign currency reserves. For example, it is estimated that China holds more than 4 trillion dollars’ worth of reserves that are invested in

numerous ways—mainly in the purchase of US bonds. Indisputably, these figures render the BRIC(S) countries comparable to the most significant world powers such as the US (which represents only 4.5% of the world's total population and 22% of global GDP) or the EU (which represents around 7.5% of the total population and 20% of global GDP).

Four BRIC(S) summits have taken place since the inception of the group. The first summit, organized during June 2009, focused on the global financial crisis, which was still evolving at that time. In their joint declaration, Brazil, Russia, India, and China called for increased economic reform to combat the irregularities of the global financial system as well as a greater voice and increased representation for members of the developing world, in general, and the BRIC nations, in particular, within various international financial institutions. They also recalled the world food price crisis of 2007–2008 and declared the need to act urgently to minimize further global food insecurity. The group not only addressed economic matters but also tackled political issues such as the expansion of the UN's Security Council in order to include Brazil and India as permanent members. The group also called for the overcoming of the deadlock on the Doha Round⁶ negotiations. During the second BRIC summit on April 2010, BRIC leaders focused on the global economy, the development of the G-20, and the needed reforms over international financial institutions. Again, discussions expanded to non-economic issues, with the Iranian nuclear issue being in the center of the relevant talks. Perhaps the most significant development of this second summit was the expressed willingness to further increase cooperation among the four emerging powers and the articulated will to collaborate on the implementation of agreements reached before and after the summit (BRIC Summit Joint Statement, 2010).

The third summit took place in April 2011. It was the first meeting in which South Africa was invited to join, which led to the amendment of the original BRIC acronym to BRIC(S). Discussions focused on increased cooperation between the five countries over issues of common interest. A great part of the discussion focused on increasing financial cooperation and trade flows between BRIC(S) members, particularly between China and the other countries. Of great significance was the agreement that each country will use its national currency (instead of the US dollar) for their bilateral trade and for funding of development projects. Politics were also part of the agenda, with discussions covering issues such as the UN decisions on international terrorism, the need for appointing permanent UN seats to India, Brazil, and South Africa, and the necessity of quickly terminating the Libyan conflict and NATO operations (BRICS Sanya Declaration, 2011).

Finally, the fourth BRIC(S) meeting took place at New Delhi, India on the 29 March 2012. It can be regarded as the most important BRIC(S) meeting since the formulation of the group, as discussions included the first talk of the creation of a BRIC(S)-level institution, the BRIC(S) bank. Such an institution would act as a development bank, funding development and infrastructure projects throughout the developing world. In addition, the new bank would be expected to offer lending during future global financial crises as well as issue convertible debt, which would be available to all five members' central banks. Feasibility studies for such an initiative were ordered from the Ministers of Finance of the BRIC(S) members, to be ready for the next meeting to be held during 2013. In addition, the meeting concluded with the call to the global community to expedite the 2010 Governance and Quota Reform before the 2012 International Monetary Fund/World Bank Annual Meeting. They also specifically called for a new selection process based solely on merit (as opposed to nationality) regarding the positions of heads of the World Bank and the IMF. Finally, the summit also dealt with non-economic issues,

including a closing statement in which it was expressed that diplomacy must prevail in both the Iranian and Syrian issues (BRICS Summit Joint Statement, 2012).

The political cooperation among the BRICS members has been followed by a further increase in their cooperation in the economic sector as well, particularly as far trade is concerned. More specifically, since 2000, the percentage of imports from BRICS countries as a percentage of total imports rose in all cases: from 4.3% to 8.5% (2011) for China; from 4.1% to 18.9% for Brazil; from 6.8% to 15.7% for India; from 5.7% to 19.6% for Russia; and from 6.1% to 20.1% for South Africa. Likewise, exports to BRICS economies as a percentage of total exports during the same period also rose significantly: from the mediocre though important increase from 2.4% to 7.1% for China to the incredible increase from 3.7% to 20.9% for Brazil (OECD 2012 data, author analysis). Such development can be regarded as evidence that the five BRIC(S) economies are not only converging politically but also, to a degree, economically, reinforcing the group's coherence.

Implications for Global Governance

Unquestionably, the evolution of BRIC(S) has already significantly altered the global political scene. The economic size of its members guarantees that their opinion matters – at least when the global economy or soft political issues are concerned. This has been a reality since at least the mid 2000's. One clear example of the increased importance of these emerging powers and the need for international cooperation between the developed world and emerging countries has been the Copenhagen Meeting for Global Warming. During that meeting and at a point at which hopes of any successful outcome were fading (with the US on one side, facing the united front of Brazil, India, China and South Africa on the other), an agreement was ultimately reached, some say, as a result of the persistence and the negotiating power of BRIC(S) (COP15 Joint High-Level Segment of COP/CMP National Statements, 2009; BBC, 2009). The agreement drafted was called the “Copenhagen Accord,” and it recognized the need to limit the global temperature rise to no more than 2°C and specified the need for developed countries to channel US\$ 30 billion to the developing world over the subsequent three years (reaching US\$100 billion by 2020) to assist with climate change adaptation and control projects, two critical issues during multilateral negotiations.

Similarly, the global influence of BRIC(S) was also clearly demonstrated during the financial crisis of 2007-8, which exposed the inability of the usual suspects (i.e. US, the EU, and Japan, or even the G7 in its entirety) to unilaterally solve an international financial issue of such magnitude. The cooperation among the central banks of the most advanced countries and the G7 meetings were not sufficient to curtail the crisis; the further cooperation of the G-20 (a group which has now met seven times since the start of the crisis, including once in 2009 and once in 2010) was needed to create some stability within the global financial system. Furthermore, the announcement of the Chinese Governmental Support Package on November 2009 and the growth rates of the Chinese economy drew more global media attention than did the various EU and US announcements at the time (National Development and Reform Commission, 2011).

As such, while all emerging powers have enhanced their position in the global arena as a result of the global financial crisis, the increased cooperation and the formulation of BRIC(S) in particular must be regarded as a certain “power multiplier”. The power of the BRIC(S), as a combined entity, appears to be more powerful than the sum of its parts. The leverage that BRIC(S) apparently wields creates expectations that in the near future and, at least with respect

to issues of common interest, BRIC(S)' opinions and proposals will be given more attention from the developed world. This will be certainly the case for financial issues though the recent election of the former French Finance Minister, Christine Lagarde, to the position of IMF president despite the call from BRIC(S) for an IMF president from outside the EU indicates that BRIC(S)' influence is not necessarily strong enough to successfully exert pressure over developed countries on any given demand. BRIC(S) had hoped to put an end to the long-standing practice of splitting the head positions of the World Bank and IMF between the EU and the US. Their call was not accepted by advanced economies, however, who heavily supported and lobbied for the candidacy of Lagarde (IMF, 2011).

Irrespective of this development, the coordination of the BRIC(S) countries is expected to lead to the furthering of their importance in world politics, especially over financial matters. Evidence of BRIC(S)' influence includes their successful participation in international discussions of how to combat the financial crisis and their successful call for increased voting rights for BRIC(S) economies within the IMF. Such evidence clearly demonstrates that the post-World War II distribution of power no longer reflects the new global state of affairs. Moreover, the expressed devotion of the BRIC(S) leaders to further their cooperation could signal the articulation of many BRIC(S)' positions in the future regarding global and regional issues ranging from international economics and currency matters to politics and security. As theories of regional integration suggest, increased cooperation in one sector could eventually lead to spill-over effects, thus steadily expanding the points of cooperation and coordination and, ultimately, the power of the BRIC(S) nations, resulting in their inclusion within international institutions.

Indeed, their successful leveraging of increased voting rights within IMF and their securing of permanent Security Council seats for India, Brazil, and South Africa indicate the developing world's increased representation in global governance structures (BRICS Sanya Declaration, 2011).

Despite these very real gains on behalf of the developing world, it must be stressed that all BRIC(S) members are ultimately pursuing their own national agendas and are, as one would expect, more interested in supporting their own gains than those of the developing world as a whole. For example, China and Brazil's position during the Copenhagen Meeting included the developing world's request for developed countries to channel considerable funding to developing countries to combat global warming and its effects but left out the Tuvalu Plan's inclusion of actual targets for CO₂ reductions, which would have articulated requirements that BRIC(S) cap their own emissions by a particular percentage as well (COP15 Joint High-Level Segment of COP/CMP National Statements, 2009; BBC, 2009). Moreover, the call for the provision of a Security Council seat for South Africa was only developed after South Africa joined the BRIC group and requested such a seat, no matter how much sense it would have made to include a Sub-Saharan African representative before that time. Hence, it seems that the BRIC(S) members express pro-developing world positions to the degree that these coincide with their own interests.

In light of both the strengths and limitations of the BRIC(S) collaboration, the question remains as to the extent to which the new emerging powers challenge the current global governance environment, institutions, and structures. The answer, it seems, is that the strengths of the BRIC(S) nations, particularly when combined, is considerable. Even before the formal formulation of the BRIC(S), the influence of the BRIC(S) nations was demonstrated. For example, prior to 2010, there were attempts, mainly by Brazil and China, to challenge the current procedures for providing the much needed capital to the developing world. For example, Brazil

is one the main contributors to the Bank of the South, an IMF/World Bank equivalent for the countries of South America, established in September 2009. This regional banking institution, which had an initial capital of \$20 billion, represents the South American view that providing funding to economies in need should not be constrained by specific conditions. The bank was founded to cover the need for lending money to nations across the American continent for undertaking programs directed at social policies and infrastructure (Brazilian Ministry of External Relations, 2011; MercoPress, 2009). Similarly, China maintains a conditionalities-free approach to its official development assistance, a policy which is rather different from those of the IMF/World Bank and most bilateral ODA practices, under which any funding is accompanied by the enforcement of specific rules and conditions to the recipient countries (Lum et al, 2009). More specifically, China seems not to tie its aid to any special conditions related to implementing economic and institutional reforms, unlike the US, which, when offering aid, includes specific conditions regarding the use of the aid money. The political implications of this difference are clear: If aid from China and other emerging powers can be understood to be an attractive alternative to the aid provided by the US, it would decrease the long-term ability of the Western world to enforce unwanted economic conditions and reforms and would strengthen the relative influence of emerging powers such as China and Brazil. As emerging powers' financial capabilities gradually increase, we are witnessing cases of even developed economies attempting to agree to capital infuses in the form of loans from non-Western sources – see for example the Greek efforts to sign various financial agreements with China during 2010 (China Daily, 2010) or the more recently declared intention of Cyprus to discuss potential financial aid not only from the IMF/EU but also from Russia and China (Bloomberg, 2012). As such, it appears that the new emerging powers very clearly challenge the current global governance environment, institutions, and structures.

The recent BRIC(S) initiative towards the creation of a development bank to finance projects across the South seems also to challenge the core role of the World Bank and the IMF. While the Bank of the South initiative only concerns the South American region, and the China ODA relates to bilateral capital lending, the BRIC(S) bank initiative has the same scope as the two major existing instruments of global financial governance, the IMF and World Bank. On past occasions, such a development would have created significant opposition from major powers such as the US and the EU, which have always advocated tackling financial issues through the existing (and pro-capitalistic) international organizations, (i.e. the IMF and the World Bank). For example, during the 1996-7 Asian Financial Crisis, several calls – especially from Malaysia and (initially) Japan – for creating an Asian fund led by Japan to deal with the urgent financing needs received strong opposition from the US, which wanted the direct involvement of the IMF (Stubbs, 2002 and Sohn, 2007). Based on such history, the BRIC(S) initiative to create a development bank should have received serious criticism and objections. On the contrary, however, the initiative has not met with much resistance despite the fact that it could be construed as a move by BRIC(S) to directly challenge the current state of affairs, given that the new bank could be conceived of as an alternative to IMF operations. Indeed, the significance of the proposal for a development bank – even if never realized – cannot be overstated. Such a bank could form a protective shield against Western interests' and Western interference in the agendas of developing nations. It has been argued that Western intervention has often exacerbated conditions in nations receiving Western aid. (See, for example, Russia's 1998 collapse, South America during the 1980s and the late-1990s, and East Asia during the mid-1990s, etc.).

Despite the clear and growing political and economic influence of BRIC(S), the countries that comprise the entity are certainly not omnipotent. Direct challenges to established global governance structures are still initially being made only in areas in which the challengers (in this case, BRICS) feel most comfortable. For example, in all BRIC(S) meetings, statements call for enhancing the position of the five members within the various international institutions (IMF, World Bank and the UN), which in itself projects the willingness of the BRIC(S) members to undertake a greater role in the already existing structures. (They are not suggesting, for instance, that existing structures be dismantled or that existing powers be removed.) In fact, the fourth BRIC(S) meeting statement explicitly expressed the view that the new initiatives should not be interpreted as a sign of abandonment of existing global financial institutions but instead as a response to current economic necessities. Nevertheless, BRIC(S) have very clearly signaled the world that new structures challenging the post-World War II international arrangements *could be formulated* if they are denied greater involvement within the existing structures based on their new and enhanced economic position in the global arena.

Conclusion

During the last two decades, the world has witnessed a gradual change of the post-World War II state of affairs. The collapse of the Soviet Union during the early 1990s was not only followed by the enhancement of American power asymmetry vis-à-vis other players but also by the gradual emergence of several regional powers from the developing world, the importance of which has reached a historical peak. Moreover, global events such as the financial crisis of 2008 have had the effect of accelerating and enhancing the influence of emerging powers within the international system. This influence is frequently reflected in statements, policies, and initiatives of countries such as Brazil, China, and Russia targeting regional and global issues.

The gradual emergence of new players in global politics has been mainly based on the excellent economic performances of these states. In a highly competitive global environment, these countries have achieved high growth rates, supported by significant trade surpluses and steadily increasing foreign currency reserves. Hence, they have acquired a central role in the global economic scene, as they both contribute significantly to global economy growth rates and fund the fiscal deficits of developed economies in (mainly) North America and Europe. As the current debt crisis is mostly directly affecting the developed world, the relative position of countries with massive funding capabilities such as China vis-à-vis other countries is improved. This development has been followed by an additional event with significant importance in global politics: the institutionalization of a forum dedicated to increasing cooperation and coordination and formulating common positions among emerging powers. More specifically, Brazil, Russia, India, and China agreed during 2009 to regularly meet to discuss global issues and coordinate their activities. To this group of states, South Africa was added in 2011, giving life to the BRIC(S) grouping, first articulated by a Goldman Sachs' analyst during 2001. Within this new forum, the five participating countries not only discuss and agree on common positions over financial issues, but they also touch on global political issues such as the Iranian case and the reform of the United Nations Security Council.

The formulation of BRIC(S) and the repetition of its yearly meetings have created mixed feelings within the global arena. Evidence suggests that the international monetary and financial system requires enhanced cooperation among major powers to maintain stability, and, in this sense, the formation of the BRICS should render global governance more efficient, a crucial

element in times of crisis. In this way, the BRICS meetings are getting these five emerging powers more involved with major global issues.

On the other hand, many analysts understand BRIC(S) as a potential vehicle for emerging powers to challenge the current global status quo. The continuation of the BRIC(S) meetings could lead to an ongoing expansion of common positions, they say, which would pose a challenge to the long-established pattern of the advanced world leading the decision-making charge with respect to finding solutions to global and regional issues. Moreover, the inclusion in the BRICS' agenda within political issues could create strong opposition to developed countries' usual operations. This is partly derived from the fact that the BRICS members have often articulated different points of view regarding how issues should be resolved (e.g. see Iranian nuclear case). As emerging powers tend to project a different understanding of world politics and are following somehow different principles, it could be seen as inevitable that some tensions with "old" key players of global governance could arise in the future. Indeed, such tension could be the result of a very recent development: the initiation of the process of creating a BRIC(S) development bank. This could be seen as a challenge to current international institutions such as the World Bank and the IMF – although official statements from BRIC(S) members argue that this is not the intention of the bank. Even if the new initiative functions in parallel (or even in coordination) with the so-called Bretton Woods organizations,⁷ its creation can be used as a point of pressure towards achieving greater involvement of the BRICS members in existing organizations, thus providing them an upgraded position in global political arena not only in an ad hoc but also in a de jure basis.

It is due to this sort of leverage that BRIC(S), as a united entity, is likely to directly shape global governance in the 21st century. The influence already demonstrated by these emerging nations will likely endure sufficiently to redistribute the balance of power in international financial institutions. Though the future of BRIC(S) cannot be predicted with certainty, its collaborative efforts and the results of its meetings thus far reflect the potential of the group of emerging nations to change the existing distribution of power around the globe.

¹ See Nolte (2007), Murden (1995), Brzezinski (2005), Roy (1994), Armijo (2007), Wilson (2006) etc.

² Regional hegemony refers to the influence exercised by an independently powerful nation (the regional hegemon) over its neighboring countries. The relationship between regional hegemons and the other states within their spheres of influence is analogous to the relationship between a global hegemon and the other states in the international system. Types of regional hegemons are portrayed in various research papers such as Mares (1988), Iyob (1993), Khalilzad (1995), Edward (2004), Emmers (2005), Prys (2008).

³ See Cronin (2003); Bergesen (2004); Vogel (1997); Streck (2001).

⁴ The G-7 is an international finance group consisting of the finance ministers from seven industrialized nations: the US, UK, France, Germany, Italy, Canada, and Japan. They are the seven formerly largest and wealthiest nations on Earth.

⁵ The G-20 is a group of finance ministers and central bank governors from 20 major economies: 19 countries plus the European Union, which is represented by the President of the European Council.

⁶ The Doha Development Round is the current trade-negotiation round of the World Trade Organization (WTO). Its objective is to lower trade barriers around the world in order to facilitate the increase of global trade. Talks have been stalled since 2008 over a divide on major issues such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies. The most significant differences are between developed nations led by the European Union (EU), the United States (USA), and Japan and the major developing countries led and represented mainly by Brazil, China, India, South Korea, and South Africa.

⁷ The United Nations Monetary and Financial Conference, known as the Bretton Woods conference, was a gathering of delegates from the 44 Allied nations at the Mount Washington Hotel in Bretton Woods, New Hampshire after the conclusion of World War II. There, agreements were signed to set up the International Bank for Reconstruction and

Development (IBRD), the General Agreement on Tariffs and Trade (GATT), and the International Monetary Fund (IMF).

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